Conflicting Intuitions about Ethical Investment: A Survey among Individual Investors

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Abstract: This present paper relates the results of an exploratory survey distributed among individuals invested in so-called ethical (or socially responsible) mutual funds, and attempts to develop a better understanding of these individuals' ethical beliefs – especially concerning whether, or why, they think that the practices of contemporary ethical funds indeed are ethical. Survey questions were informed by the contemporary philosophical literature pertaining to the ethics of investing and designed to elicit the respondents' basic intuitions about the ethics of different investment strategies. Our results indicate that respondents show considerable support for both a moral purity perspective and a moral effectiveness perspective, and they seem to find it difficult to choose between these perspectives. Indeed, we find that this is not just a conflict between different groups of investors with different moral outlooks, but many individuals themselves seem to be struggling with conflicting ethical intuitions. We argue that these results are incompatible with the idea that ethical investors refrain from thinking systematically about ethics simply in order to be able to get away with also investing in non-ethical funds. A more probable explanation is developed building on the contemporary psychological literature concerning intuitions in ethics.

Ethical investment, also known as socially responsible investment (SRI), can be defined as the practice of integrating (putatively) ethical, social and/or environmental considerations into a financial investment process – for instance, a mutual fund's process of deciding what stocks or bonds to buy or sell, or how to relate further to the companies invested in. This practice has become increasingly popular in the investment community during the last couple of decades; both among individual and institutional investors, and perhaps especially among retail mutual funds (investment trusts / unit trusts / trust funds) marketed directly towards the general public. According to recent estimates there are now over 170 mutual funds with an explicit ethical, social or environmental profile in the US, jointly worth around $171.7 billion (Social Investment Forum 2007), and the corresponding figures for the UK are roughly £9 billion spread out over nearly 100 funds (Eurosif 2008).

A growing body of academic literature can now be found attempting to profile the people investing in these ethical mutual funds – typically referred to simply as ethical investors. We believe that this research topic is important, not only for developing a better understanding of these ethical investors as such but also for the purpose of evaluating the practices of the ethical funds. A fair number of studies have concerned the general demographic, socio-economic and psychographic characteristics of ethical investors, and indicate that they tend to be better educated, less affluent, more often female, and with a greater awareness of social and environmental issues than investors in general – or so-called non-ethical investors (Beal and Goyen 1998, Getzner and Grabner-Kräuter 2004, Lewis and Mackenzie 2000a, McLachlan and Gardner 2004, Nilsson 2008, Rosen et al. 1991, Tippet and

Leung 2001). Furthermore, a range of studies have concerned the interplay between ethical investors' ethical (or social/environmental) and financial motivations. The results of these studies are more mixed: whereas most ethical investors seem driven by both kinds of motivations, it remains unclear exactly to what extent they are ready to sacrifice financial returns for ethical pay-off – some say rather little, others say a lot (Beal et al. 2005, Lewis and Mackenzie 2000a, Lewis and Webley 1994, Mackenzie and Lewis 1999, Nilsson 2009, Webley et al. 2001).

Curiously, however, we still know very little about ethical investors' ethical beliefs (or attitudes) as such, and especially whether they agree that so-called ethical investment as it is practiced today indeed is ethical. A couple of studies have examined ethical investors' views on business ethics in general, or what kinds of corporate activities or business areas they hold to be ethical versus unethical (Anand and Cowton 1993, Rosen et al. 1991). While these studies may give some indication as to whether ethical funds are focusing on the right kind of companies, however, they say very little about how ethical funds should relate to these. Of course, the fact that ethical investors *invest* in ethical funds could in itself be taken as an indication of an acceptance of the investment strategies of these funds. But appearances may be deceiving and, furthermore, quite similar behaviour can obviously be motivated by very dissimilar beliefs and attitudes.

Really the only studies which have examined ethical investors' ethical beliefs more carefully are two studies by Lewis and Mackenzie (Lewis and Mackenzie 2000b, Mackenzie and Lewis 1999). In a first set of exploratory telephone interviews with just 10 ethical investors, questions were asked about the underlying "philosophy" or "principles" which led them to invest in ethical funds. The subjects are reported to have mentioned quite a variety of moral motives – from deontological, consequentialist and eudaimonic motives to ones arising from "the prick of conscience" and from "an ethic of self-help" – but overshadowing these ethical beliefs, it is reported, was "a fog of confusion" (Mackenzie and Lewis 1999). A survey was subsequently constructed with more distinct questions, specifically concerning whether ethical investors would support more active and engaged forms of ethical investment practice. The results indicate that most of the respondents actually were quite happy with more passive forms of ethical investment and that only a small minority supported more progressive investment strategies (Lewis and Mackenzie 2000b).

The research presented in the present paper could be said to complement the work of Lewis and Mackenzie, but it also aims to go deeper into the moral psyche of so-called ethical investors. The paper relates the results of an exploratory survey answered by 369 individuals invested in the ethical funds offered by one of the larger banks in Sweden. In order to be able to scrutinise the ethical beliefs of these individuals as carefully as possible, our questions were informed by the contemporary philosophical literature pertaining to the ethics of investing, and designed specifically to elicit some of the respondents' more basic intuitions about ethics in investing. Our central research query is whether ethical investors think that the investment strategies used by ethical funds indeed are ethical and, more generally, whether they agree with the ethical justification for, or ethical principles behind, these strategies typically defended by proponents of the ethical investment movement. By addressing this query, we not only hope to enhance our current understanding of the ethical beliefs of the ethical investor but also to situate the literature on ethical investors in a wider discussion of both philosophy and (moral) psychology.

The paper proceeds as follows: In section 1, we present some background on the investment strategies of ethical funds and how these typically are justified by proponents of the ethical investment movement, as well as the philosophical debate concerning these justifications. Section 2 gives some further details of the empirical method used to gather data on the views of ethical investors. In section 3, our descriptive results are presented as well as a preliminary analysis of our respondents' ethical beliefs, and it is suggested that our respondents show considerable support for both a moral purity perspective and a moral effectiveness perspective – and they furthermore seem to find it difficult to choose between these perspectives. Section 4 then relates the results of a more sophisticated statistical analysis of our material, where we find that the result just mentioned is not just a conflict between different groups of investors with different moral outlooks but many individuals *themselves* seem to be struggling with conflicting ethical intuitions. Finally, section 5 contains a discussion of possible explanations of these results: We argue that our results are incompatible with the idea that ethical investors refrain from thinking systematically about ethics simply in order to be able to get away with also investing in non-ethical funds. A more probable explanation is therefore developed building on the contemporary psychological literature concerning intuitions in ethics.

1. Background: How ethical funds invest and why

The investment strategies of ethical funds

Ethical mutual funds typically employ one or more of a certain range of, supposedly ethical or socially responsible, investment strategies – indeed, the employment of one or more of these strategies is generally what is taken to separate ethical from non-ethical funds (Cowton and Sandberg 2011). The investment strategy most commonly employed by ethical funds is what could be called the *avoidance* strategy, or 'negative screening' (Domini and Kinder 1986, Miller 1991, Sparkes and Cowton 2004). Funds that employ this kind of strategy attempt to avoid investing in companies engaged in business areas or practices which are deemed to be ethically unacceptable or problematic in some sense – that is, they incorporate *negative ethical criteria* in their decisions on what companies' shares to acquire, hold or dispose of. The negative criteria can relate to the kinds of products or services that a firm provides, the way it conducts its business, or the location of its activities.

Under an avoidance strategy, negative 'screening' is primarily applied when stocks are being considered for purchase or when an existing portfolio is first being checked against ethical criteria. But subsequent regular monitoring is typically also undertaken in order to check that the companies which have been invested in have not changed – through altered practices, development of their activities or acquisition of another business – in such a way that they come to contravene the criteria (Mackenzie 1997). It may be noted that funds seldom are absolutist about their criteria: For instance, they typically allow companies whose engagement in an unacceptable area constitutes less than a certain percentage (often 5-15%) of their operating income (Schepers and Sethi 2003, Schwartz 2003, Sparkes 2002), and also companies who are only indirectly engaged in such areas (though they themselves may hold considerable investments in, or be subcontractors to, seriously unacceptable companies) (Michelson et al. 2004). Nevertheless, the avoidance strategy could be said to represent an attempt to cleanse an investment portfolio of companies with undesirable features, and is probably the strategy most commonly associated with ethical investment among the general public.

A second investment strategy typically employed by ethical funds is what could be called the *supportive* strategy, or 'positive screening' (Cowton 1999, Domini and Kinder 1986, Mackenzie 1997). Funds who employ this kind of strategy attempt to seek out and invest in companies engaged in business areas or practices which are ethically praiseworthy or exemplary in some sense – that is, they incorporate *positive* ethical criteria in their decisions on what companies' shares to acquire, hold or dispose of (the latter if a company is no longer regarded so positively, or an alternative investment is regarded more positively in social terms). Again, such positive criteria might relate to the kinds of products or services that a firm provides, the way it conducts its business, or the location of its activities.

Even if an explicit avoidance strategy is not in place, it is possible for one to be pursued by default when conducting a supportive strategy - if corporations that possess good attributes also tend not to have negative ones. Very often, though, a supportive strategy will be operated deliberately in tandem with an avoidance strategy (Brill et al. 1999, Domini 2001, Domini and Kinder 1986). According to recent estimates over 77% of the assets of the American ethical investment industry, and over 65% of the European counterpart, are invested following some kind of 'social screens' – i.e., with either positive or negative criteria, or indeed some kind of combination of them, in place (Eurosif 2008, Social Investment Forum 2007). Some funds combine positive and negative screening by permitting rather straightforward trade-offs between the different criteria, i.e., by calculating an overall score or rating for a company (Gray et al. 1996, Schepers and Sethi 2003). Others first use negative criteria to determine a set of ethically problematic companies or industries, and then positive criteria to determine the companies or industries in this set with the *relatively* best social characteristics (the 'best in class' approach) (O'Rourke 2003, Schepers and Sethi 2003, Sparkes 2002).

A third and somewhat different strategy typically employed by ethical funds is commonly called *shareholder activism* (Brill et al. 1999, Domini and Kinder 1986, Sparkes 2002). This kind of strategy is different from the two previous ones in that funds which employ it attempt to invest in companies that are engaged in business areas which are deemed to be morally unacceptable and then use their shareholder influence to make them change their ways. That is, these funds try to change the 'bad' into the 'good' in some sense (Domini and Kinder 1986). The starting point for activist strategies is the contention that investors, as shareholders in (or in some sense owners of) companies limited by shares, enjoy certain rights and privileges in relation to those companies. Most commonly, funds use their right to introduce and vote on resolutions at companies' annual general meetings in order to try to make the companies in question take a stronger responsibility for the societal effects of their actions. However, also other kinds of campaigns are commonly associated with shareholder activism – for example, starting a dialogue with corporate managers, writing letters to institutional investors, and sending out press releases (Domini 2001, Lang 1996, Sandberg 2008).

It is in the US that shareholder activism – at least as a visible, public activity – has been most widespread historically, with high profile examples such as Campaign GM in the 1970s (Vogel 1978). But there have also been notable cases elsewhere, such as the movement in the UK against bank loans to South Africa during the apartheid era (Sparkes 1995), and, indeed, Europe now seems to be leading in shareholder activism activity – at least in terms of the amount of resources dedicated to it. According to recent estimates almost half of the assets of the European ethical investment industry are held by investors engaged in shareholder activism, compared to only 27% in the US (Eurosif 2008, Social Investment Forum 2007). Exactly what explains this recent surge in European interest in activism remains unclear, but one suggestion could be that European institutional investors simply have incorporated social and environmental considerations into their traditional active ownership practices – that is, their interaction with all kinds of companies (both 'good' and 'bad') on corporate governance issues (Louche and Lydenberg 2006).

The three strategies above really constitute the bulk of what contemporary ethical funds do. But we might also mention a fourth and final strategy sometimes employed by ethical funds. Some European ethical funds give financial support, typically as a fixed percentage of their annual return, directly to charitable organisations like Oxfam, the Red Cross, etc. (O'Rourke 2003, Skillius 2002). An American counterpart to this is sometimes referred to as community investing: Funds that engage in this kind of investing attempt to support minority communities or communities with poor economic development by, for instance, lending money directly to local banks or credit unions which collaborate in job-creation programs and housing projects (Brill et al. 1999, Domini 2001, Kinder et al. 1993). Since a common feature of both of these initiative types is that the respective ethical funds engage in them mainly for the sake of charity, and therefore also accept a lower level of return on their investments, we may refer to these alternatives as *philanthropic* investment strategies in what follows.

Obviously, the four kinds of strategies outlined above are highly stylized and could be spelled out in more detail in a variety of ways. Quite often, combinations of and/or trade-offs between strategies are used, and also trade-offs with strictly financial criteria. But why should these investment strategies be thought of as distinctively *ethical* or *socially responsible* strategies?

The philosophy of ethical investment

The received view among a great number of both commentators and proponents of the ethical investment movement is that there essentially are two underlying motivations for, or justifications of, ethical investment as such: one is 'consistency' and the other 'social change' (Cowton 1998, Domini and Kinder 1986, Domini 2001, Mackenzie 1997, Schueth 2003). The appeal to consistency is sometimes spelled out as the rather simple idea that how one invests cannot be divorced from how one acts in other areas of one's life or, more specifically, that it seems inconsistent to invest in companies or business areas which one otherwise morally disapproves of (Sandberg 2007). The appeal to social change, on the other hand, is typically spelled out as the idea that ethical investment should 'make a difference', i.e., that investors have ethical reasons to invest a way which makes the world a better place – by, e.g., making unethical companies cease with their unethical practices, or making ethical companies become even better at serving the needs of their stakeholders. In the literature from proponents of the ethical investment movement, these ideas are seldom elaborated on further, yet are generally thought to be compatible with each other and to jointly motivate why one should invest in an "ethical" manner (in ethical funds) rather than investing "non-ethically" (in other funds).

The contemporary philosophical literature pertaining to the ethics of investing can be taken to have improved upon these suggestions. It may be noted that a good deal of academic commentators have criticised the appeal to consistency; for instance for its general opaqueness, its moral implausibility, or for having little to do with ethics in the first place (Anderson 1996, Monahan 2002, Sandberg 2007, Sparkes 2001). In their recent overview article, however, Cowton and Sandberg (2011) suggest that the appeal to consistency could become both more plausible and interesting from a philosophical point of view if it is understood along the lines of how some philosophers (like, e.g., Bernard Williams) indeed have understood appeals to consistency or integrity – namely as a deontological constraint on actions. They say: "Many people think that selling weapons to countries at war is morally wrong, and they may then also think that it is morally wrong to invest in companies doing so. On this understanding, the argument from integrity says that it is always wrong (at least prima facie) to invest in companies which themselves are engaged in wrongdoing. The wrongdoings committed by certain companies, then, may morally 'taint' those that become investors in those companies." (Cowton and Sandberg 2011, p. 8).

On Cowton and Sandberg's account, the appeal to consistency – or, as they sometimes call it, the moral purity perspective – is primarily an argument for the avoidance strategy, i.e., an argument for why it is ethical to avoid investing in, for instance, weapons and tobacco companies. Indeed it is an argument for a very absolutist sort of avoidance strategy, where one *never* invests in these companies, neither directly nor indirectly (cf. Kolers 2001). Cowton and Sandberg (2011) further write that there are three ways of spelling out the moral purity perspective more precisely – or three ways of understanding exactly how investors become morally 'tainted' by their relation to unethical companies: (1) Some argue that what makes investors morally tainted is the fact that they *profit* from the wrongdoings of these companies – that is, that they in some sense benefit from other people's suffering (cf. Domini and Kinder 1986, Irvine 1987, Mills 1996). (2) Another idea is that investors are at fault because they *support* the wrongdoings of certain companies in the sense of giving them more resources to do their dirty deeds, or by at least facilitating their activities (cf. De George 1999, Irvine 1987, Mackenzie 1997). (3) According to a third idea, what morally taints investors is not that they *financially* support or benefit from these companies, but that they *morally* support them – that is, that investing in companies engaged in wrongdoing indicates a *symbolic* support for such activities and therefore is morally wrong (cf. Larmer 1997). For our present purposes, we may add a fourth and perhaps less philosophically stringent alternative: (4) Some proponents of the ethical investment movement simply seem to argue that it is wrong to have "any kind of relation whatsoever" to unethical companies (cf. Mackenzie 1997).

Sandberg (2008) argues that proponents of a moral purity perspective indeed need to supplement their account with one of the ideas above, because the moral purity perspective is supposed to work as a *principled* – as opposed to *pragmatic* – argument for the avoidance strategy. That is, the moral purity perspective is supposed to show why investing in unethical companies is wrong *in itself*, and not just wrong because investing in some other way would have better consequences. However, Sandberg argues that, when scrutinised more carefully, at least two of the ideas above – (2) and (3) – have rather close affinities to a consequentialist moral framework. Saying that it is wrong to support the wrongdoings of companies in the sense of giving them more resources to do their dirty deeds is obviously an idea that talks about consequences directly, although perhaps only a certain *kind* of consequences (direct harm) (ibid., pp. 97-100). Furthermore, what is ethically problematic with showing symbolic support for unethical activities is perhaps simply the fact that this symbolic message will have negative effects on the behaviour of others (ibid., pp. 120-126).

The alternative to the moral purity perspective, then, according to these philosophers, is a consequentialist perspective emphasising social change, or what could be called the moral effectiveness perspective. According to Cowton and Sandberg (2011), "some commentators, preferring moral effectiveness to moral purity, are concerned more about the consequences of actions than about their conformance to principle" (p. 7). Although this perspective sometimes is used to justify the avoidance strategy as well (cf. Hudson 2005, Rivoli 2003), commentators keen on moral effectiveness more often tend to argue that ethical funds should focus on the other strategies outlined above: the supportive strategy, shareholder activism and/or philanthropy. On the moral effectiveness perspective, namely, the idea is that investors ought to invest in the way which most effectively brings about social change, or has the highest probability of making the world a better place. And simply shunning a certain company's shares on the stock market, it is argued, will seldom have any real impact on either the price of the shares or the underlying company's activities since stock markets typically are highly liquid – and non-ethical investors also have financial incentives to counteract price-attacks from ethical investors (Haigh and Hazelton 2004, Hudson 2005, Mackenzie 1997, Sandberg 2008). However, by directly supporting small-scale yet exemplary business ventures, or engaging more actively with unethical companies, or distributing some of one's investment returns directly to people in need, even individual investors could perhaps help make the world a better place.

Much more can probably be said about both the moral purity and the moral effectiveness perspectives, but our purpose here has simply been to introduce the broader outlines of the contemporary philosophical discussion pertaining to the ethics of investing. To sum up, this discussion tends to focus on the conflict between the perspectives of moral purity and moral effectiveness, and the former is typically taken to support the avoidance strategy whereas the latter more often is taken to support either the supportive strategy, shareholder activism or philanthropy. We now turn to the question of where the people actually investing in ethical funds – the ethical investors – stand on these issues.

2. Method

In order to be able to scrutinise the ethical beliefs of ethical investors as carefully as possible, we constructed a number of items informed by some of the most central distinctions in the philosophical literature introduced above. As can be seen in Table 1 and Table 2, two somewhat different types of items were constructed. First, six "regular" questions were formulated which rather straightforwardly invite respondents to give their opinions on various matters relevant to the moral purity and moral effectiveness perspectives. However, in order to be able to dig even deeper into the moral psyche of respondents, we also formulated two "moral dilemmas" which in different ways make them choose between either backing effectiveness or backing purity. The general aim of all eight of these items was to elicit respondents' basic ethical opinions related to the moral effectiveness/purity distinction. As very little (if any) research has been performed on this topic to date, it may be noted that items were designed to elicit *indications* of the respondents' ethical beliefs rather than *confirming* any previously hypothesised nature of these beliefs.

The questions were included in a mail-based questionnaire which also contained questions on slightly different matters. The opening instruction of this particular section of the questionnaire told respondents to focus on how *they themselves* think that ethical funds should be and behave; that is, what they think that a *perfect* or *ideal* ethical fund would do. Before sending out the questionnaire, a small number of experts within different fields were consulted to ensure that it was suitable to send out and contained no errors.

Please insert Table 1 about here

Please insert Table 2 about here

The questionnaire was then distributed to a random sample of 2000 individuals that had invested in at least one of the ethical funds offered by one of the larger banks in Sweden. We believe that Sweden is an appropriate country for researching beliefs and attitudes concerning ethical investment as it is generally thought to be one of the more developed markets for this kind of investment. According to recent estimates the Swedish ethical investment market now amounts to roughly €191 billion, making it – despite being a small country – the fifth largest ethical investment market in Europe (Eurosif 2008). Furthermore, our choice of focusing on investors affiliated with one of the country's larger banks was intentional. Although the bank in question offers a wide range of ethical investment vehicles, it also offers all kinds of non-ethical investment vehicles and is in no way known only for its ethical investment opportunities. Thus, we are fairly confident that we have been able to reach a relatively wide cross-section of individuals of all ages and persuasions.

Of the 2000 questionnaires sent out, a total of 402 (20.1%) were returned. After deleting the cases that had more than 50% missing data (as recommended by Hair et al. 2006), we judged that a total of 369 questionnaires were usable, and this results in an effective response rate of 18.5%. Although this is somewhat lower than in other surveys of ethical investors, the actual number of respondents is sufficient for our exploratory purpose. The answers were subsequently entered into the statistical software program SPSS. The remainder of the paper presents and discusses the results of these statistical analyses.

3. Descriptive results and preliminary analysis: Conflicting intuitions

Moral purity

Judging from the responses to the first three of our questions, it seems safe to say that there was considerable support for the moral purity perspective among our respondents. First of all, when we asked them whether they think that ethical funds ought to avoid investing in companies that they (the respondents) find morally problematic, only 6% of respondents answered that ethical funds should not practice avoidance. This is exactly in line with Lewis and Mackenzie's (2000b) result that 93.5% of their subjects stated that they wanted to avoid "companies which are doing harm".[1] Furthermore, when asked to what *extent* ethical funds ought to avoid investing in companies perceived as ethically questionable, a majority of our respondents (56.5%) answered that ethical funds *never* should invest in *any* of these companies.

As noted above, most contemporary ethical funds allow into their portfolios companies whose engagement in an unacceptable business area constitutes less than a certain percentage (often 5-15%) of their operating income. We thus gave the respondents the full range of options shown in Table 3. Interestingly, only 15.5% of respondents seemed to think that the use of cut-off points can be ethically justified, and thus we find that an overwhelming majority of ethical investors agree with the criticisms directed against the use of cut-off points from a range of academic commentators (Mackenzie and Lewis 1999, Michelson et al. 2004, Schepers and Sethi 2003, Schwartz 2003). The idea that it may vary from case to case to what extent ethical funds should avoid investing in unethical companies was actually slightly more

[1] Unlike Lewis and Mackenzie, however, we didn't want to suggest any more specific criteria of unethical business behaviour here and so we let our respondents choose from a brief list of alternatives to say for themselves what kinds of companies they think that ethical funds should avoid investing in. "Companies using child labour" came out on top (87.7%), followed by "companies which pollute the environment" (85.8%) and "companies dealing with tobacco, alcohol or weapons" (74.1%). However, little attention should be paid to these more specific answers since our list of alternatives was very brief indeed.

popular than the idea of cut-off points but, as already noted, a majority of respondents answered that ethical funds *never* should invest in any of these companies.[2]

Please insert Table 3 about here

In order to further investigate the support for moral purity, we presented respondents with a slightly more complicated scenario. They were asked to assume that 'company X' is involved in some kind of business practice that they themselves find unethical and that 'company Y' is a company holding shares in company X. Now "which of the following statements do you agree with the most?", we asked, and presented them with the options displayed in Table 4. As can be seen in that table, as many as 71.9% of respondents seemingly thought that the contemporary practice among ethical funds of allowing companies that are only indirectly engaged in unethical business areas is ethically problematic. If you are morally tainted by investing in company X, that is, you are also morally tainted by investing in company Y which holds shares in company X (cf. Kolers 2001). While some respondents (21.4%) seemed to think that the question was too difficult to answer, basically everyone who answered thought that investing indirectly in unethical companies was ethically problematic.

Please insert Table 4 about here

Judging from their answers to this first subset of questions, then, respondents seem to be thinking along the lines of a fairly hardline moral purity perspective – indeed, they seem much more hardline than the managers of contemporary ethical funds. However, when we asked them to clarify exactly *why* they think that ethical funds should avoid investing in the companies that they think are unethical, things start to become more complicated. As possible reasons, we presented respondents with the four explications of the moral purity perspective that we found in the literature (see above), plus a more open consequentialist reason, inspired by the moral effectiveness perspective and basically saying that the avoidance strategy can have a positive impact on companies. Respondents were instructed to mark as many reasons as they would like. As seen in Table 5, the support for both deontological (A, B, C or E) and consequentialist (D) reasons indicate that many of the respondents generally justify their support for the avoidance strategy by appealing to a mix of both deontological and consequentialist thinking. Furthermore, it may be noted that the reason inspired directly by the moral effectiveness perspective (D), together with the two purity reasons (B and C) which, according to Sandberg (2008), most easily lend themselves to semi-consequentialist interpretations, actually come out on top!

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[2] Perhaps this result corresponds with Lewis and Mackenzie's (2000b) finding that 87% of their respondents stated that they want their "investments to be ethically clean". But we are not sure whether all respondents would know exactly what this means, and so we hope that our questions are more straightforward.

Please insert Table 5 about here

Moral effectiveness

Turning now to a couple of questions dealing more directly with the moral effectiveness perspective, we indeed seem to have found considerable support for this perspective as well among our respondents. When asked whether they think that ethical funds should try to make the world a better place, for instance by influencing companies to take a stronger responsibility for society as a whole, as many as 90.2% of our respondents said yes. Just to get a sense of the strength of the respondents' commitment to moral effectiveness, we combined this question with presenting respondents with alternative ideas of how to weigh moral effectiveness against financial return. As seen in Table 6, a clear majority (65.0%) thought that the aim of influencing companies is sufficiently important to warrant at least some sacrifice of financial returns, although few respondents were ready to accept considerable financial sacrifices.

Please insert Table 6 about here

We next asked respondents to grade, on a 5 point scale, exactly how effective they thought that the different investment strategies currently employed by ethical funds are in terms of influencing companies into becoming more socially responsible. Table 7 shows the different strategies asked about, together with the average effectiveness grade given by respondents (where 5 was the highest and 1 the lowest). Quite in line with how most academic proponents of the moral effectiveness perspective reason, respondents seem to hold the supportive strategy as the most promising one (3.89), followed by the fairly confrontational activist strategy of exposing unethical companies in the media (3.61). (This is somewhat different from Lewis and Mackenzie's (2000b) results, where respondents showed considerable support for the supportive strategy but strongly disapproved of confrontational forms of shareholder activism.) Interestingly, however, the avoidance strategy gets a very high average effectiveness grade from our respondents (3.47) – certainly much higher than academic proponents of the moral effectiveness perspective would give it. As noted above, most academic proponents of this perspective argue that simply shunning a certain company's shares on the stock market seldom will have any real impact on either the price of the shares or the underlying company's activities. Our respondents seem to disagree with this, however, and perhaps this is because they're thinking of the kind of symbolic effects which we have seen that many associate with the avoidance strategy.

Please insert Table 7 about here

The investment strategies which respondents believe in the least are philanthropy and shareholder activism in a more traditional sense – either voting at the annual general meetings of unethical companies or, more generally, being an active owner in both ethical and unethical companies. Indeed, these strategies received an average effectiveness grade of less than 3 (the middle grade), indicating that respondents not only hold them as *relatively* but also as *absolutely* ineffective. This view of the ineffectiveness of traditional shareholder activism is shared by at least one academic commentator (Sandberg 2008). To summarise, then, our respondents' view of the effectiveness of the different investment strategies employed by contemporary ethical funds are roughly in line with the views of academic proponents of the moral effectiveness perspective, save for their somewhat unorthodox stand concerning the avoidance strategy.

Purity or effectiveness?

But what ultimately matters the most; moral purity or moral effectiveness? As a final part of our survey we confronted the respondents with two more elaborate ethical dilemmas designed to really test their most basic ethical intuitions in this area. In a first dilemma, respondents were asked to assume that company X is involved in business activities that they find ethically unacceptable but that an ethical fund has come in contact with a group of its shareholders which want to make the company change its ways. By investing a large sum of money in company X, the ethical fund would be able to give these more progressive shareholders a majority of the votes at the company's annual general meeting. So "what do you think that the ethical fund should do?", we asked.

In a second dilemma, respondents were once again asked to assume that company X is involved in activities that they find ethically unacceptable, but now they are told that most stock analysts predict that company X's shares will be one of the winners on the stock market this year. An ethical fund decides to invest in company X and donate the returns to charity – is this ethically correct? These dilemmas were constructed to force respondents to choose between the avoidance strategy and shareholder activism, and the avoidance strategy and philanthropy, respectively – where it is assumed that the moral purity perspective would favour the avoidance strategy whereas the moral effectiveness perspective would favour shareholder activism and philanthropy (inspiration was taken from discussions of similar dilemmas in Irvine 1987 and Sandberg 2008).

Tables 8 and 9 indicate the results for the two dilemmas. As Table 8 shows, interestingly, many respondents seem to have found it rather difficult to choose between the avoidance strategy and shareholder activism. While a slightly higher number of respondents opted for shareholder activism compared to those who opted for the avoidance strategy, most respondents (39.0%) chose to characterise the dilemma along the lines of what philosophers call a *genuine* ethical dilemma – that is, as a situation where all alternative actions are ethically prohibited. This result seems to suggest that respondents really struggled when trying to decide between the moral effectiveness perspective (which in this case seems to recommend shareholder activism) and the moral purity perspective (which here seems to recommend the avoidance strategy). Our results in this area are roughly in line with those of Lewis and Mackenzie (2000b), who presented their respondents with two similar, although less detailed, dilemmas between avoidance and activism.

Please insert Table 8 about here

Curiously, as Table 9 shows, respondents seem to have found the choice between the avoidance strategy and philanthropy a bit easier. Only 3.9% were here in favour of philanthropy whereas a majority (55.9%) were in favour of the avoidance strategy. Still, a good number of respondents (39.7%) either couldn't answer or acknowledged that they had conflicting intuitions. It should be noted that the available choice options here were formulated in a slightly stronger language than in the previous dilemma, which may have put some respondents off from, e.g., siding wholeheartedly with the ethical fund's particular flavour of philanthropy. Also, as we found above, respondents hold philanthropy as a largely ineffective investment strategy (much more ineffective, for instance, than shareholder activism) – and so it might have been more unclear to them whether siding with philanthropy really is what the moral effectiveness perspective calls for in this situation.

Please insert Table 9 about here

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4. Further statistical analysis: A conflict within or between respondents?

To summarise our preliminary analysis above, we have found that respondents – at least in general and taken as a group – show considerable support for both the moral purity perspective and the moral effectiveness perspective. And furthermore, they seem to find it difficult to choose between these perspectives. These are indeed interesting results, but before we try to understand them there are a few further things that we need to analyse more exactly. We believe that the obvious follow-up question to our results above is whether individual respondents *themselves* really have conflicting intuitions about ethics in investment, or whether the quite general figures above actually hide *subgroups* of respondents with somewhat different moral outlooks – that is, whether the clash of intuitions is not really just a clash between different groups of respondents. Lewis and Mackenzie (2000b) report that, although most of their respondents showed great support for the current practices of ethical funds (mainly the avoidance strategy and traditional shareholder activism), they found evidence of a "consistent minority" supporting more confrontational forms of ethical investment (p. 215).[3]

Judging from the contemporary philosophical discussion pertaining to the ethics of investing we would expect someone who only, and wholeheartedly, supported the moral purity perspective to (1) definitely say that there are certain companies which they think that ethical funds ought to avoid, (2) hold that ethical funds *never* ought to invest in any of these companies, (3) say that investing indirectly in these companies is just as wrong as investing directly in them, (4) submit primarily non-consequentialist reasons for why funds ought to avoid these companies, (5) have no strong views on whether funds should try to make the

[3] It should be noted, however, that this consistency really only is a consistency between people's answers to two rather similar ethical dilemmas; both choices between the avoidance strategy and confrontational shareholder activism (p. 221).

world a better place, and (6) say that the ethical funds in our two dilemmas ought to stick to the avoidance strategy. On the other side, we would expect someone who wholeheartedly supported the moral effectiveness perspective to (1) be less likely to say that there are certain companies which ethical funds ought to avoid investing in, (2) say that it varies from case to case to what extent an ethical fund ought to avoid these companies, (3) be less sure about whether investing indirectly in them is morally problematic, (4) submit primarily consequentialist reasons for why funds ought to avoid these companies, (5) have very strong views on whether ethical funds should try to make the world a better place, and (6) choose activism and philanthropy over the avoidance strategy in our two dilemmas.

In order to see if respondents actually think systematically along the lines of the effectiveness and purity perspectives we performed a number of chi2 tests. As a starting point for the analysis we used their answers to the first of our dilemmas; that is, the choice between the avoidance strategy and shareholder activism.[4] This dilemma is roughly in line with the kind of question that Lewis and Mackenzie (2000b, p. 221) used to identify their "consistent minority". Furthermore, as previously noted, the philosophical literature suggests that the dilemma represents a clear choice between the two perspectives (we assume that the moral purity perspective here would favour the avoidance strategy whereas the moral effectiveness perspective would favour shareholder activism). It may also be noted that our formulation of the relevant choice alternatives allowed respondents to indicate whether they were unsure of which strategy they preferred. Taken together, then, these considerations indicate that the respondents who chose one of the two main strategies in our first dilemma are the ones most likely to represent hardline purity and effectiveness supporters.

To see if these respondents' reasoning in connection with our first dilemma was systematic across dimensions (1) to (6) above, Chi2 tests were performed against the other items in the questionnaire connected to these dimensions. Now, to the extent that they really are thinking systematically along the lines of the two perspectives, what one would expect is statistically significant relationships for most or all of them. However as can be seen in Table 10, we only found statistically significant relationships for two of the six items checked.

Please insert Table 10 about here

The two statistically significant relationships are in the bottom part of the table. First of all, we found a fair degree of internal consistency between the respondents' answers to our two dilemmas – that is, people who chose avoidance over shareholder activism in Dilemma 1 (and therefore were included in the moral purity group) were indeed more likely to choose avoidance over philanthropy in Dilemma 2 (χ^2 (2) = 10.57, $p < .05$). (However as noted above, very few really chose the philanthropy alternative in this second dilemma and so there was unexpected attraction to the avoidance option also in the moral effectiveness group.) Secondly, the respondents who were included in the moral purity group also indicated weaker support for the idea that ethical funds ought to try to make the world a better place (Question 5), which we generally associate with the effectiveness perspective (χ^2 (4) = 10.12, $p < .05$). (Interestingly, however, a majority of the moral purists still think that the goal of influencing companies is sufficiently important to warrant a sacrifice of at least some

[4] We also tried other baselines for our analysis, such as Question 2 and Dilemma 2, which gave somewhat alternative but in general less statistically significant results.

resources, and they are indeed slightly overrepresented in the group which said that *all* resources should be dedicated to this.)

These results may be taken to lend some further credence to our choice of Dilemma 1 as the baseline for delimiting the two groups. Carved up in this way, namely, we have found at least some consistency in respondents' views in line with what the philosophical literature suggests. But are our respondents really thinking systematically along the purity and effectiveness perspectives understood exactly as philosophers understand them?

In the end, our most interesting result probably is the lack of statistically significant relationships for the other four items. As shown in the top part of Table 10, a first indication of that investors are not thinking systematically comes up when running a crosstab analysis against Question 1. Judging from the philosophical literature, we would expect that members of the moral purity group should show greater support for ethical funds' use of the avoidance strategy than members of the moral effectiveness group. But as noted in the previous section almost *all* of the respondents in our survey displayed strong support for the avoidance strategy. Hence, our analysis failed to discover any statistically significant difference between the two groups (χ^2 (1) = 0.03, p > .05).

Similar results are given by a crosstab analysis against Question 3. We would associate the idea that investing indirectly in unethical companies is morally problematic primarily with the moral purity perspective, which is the absolutist or deontological way of justifying the avoidance strategy (as opposed to the idea that avoidance may influence companies to change their unethical ways, which seems less likely in cases of indirect investment). Once again, however, almost all of the respondents in our survey displayed strong support for the idea of indirect moral contamination and we found no statistically significant difference between the two groups (χ^2 (2) = 0.66, p > .05).

These indications are given further and more worrisome support by an analysis of how members of the two groups generally justify their support for avoidance (Question 4). The reader may remember that respondents were invited to choose from a whole range of alternative reasons, ranging from the clearly deontological to the clearly consequentialist, to indicate *why* they thought that ethical funds should avoid investing in certain companies (if they indeed thought that they should do so). As shown in Table 10, however, we found no statistically significant differences between the two groups in relation to any of the reasons provided. What this means is that members of our moral effectiveness group were not less likely to hold, for instance, that it is wrong in itself to profit from unethical activities (χ^2 (1) = 0.74, p > .05) or that it is wrong to have any connection whatsoever to such activities (χ^2 (1) = 0.09, p > .05). In a similar fashion, members of the moral purity group were not less likely to recommend avoidance because of its potential to influence companies (χ^2 (1) = 0.02, p > .05) – quite to the contrary, this was actually the most popular reason supplied by the moral purists!

The most flagrant indication of that our respondents did not hold systematic purity or effectiveness opinions, however, is shown by our analysis of their responses to Question 2. When asked to what extent ethical funds ought to avoid investing in morally problematic companies, we would expect members of the moral purity group to be more likely to support the highest threshold (0% acceptance) whereas the moral effectiveness camp may say that it varies from case to case. Once again, however, our analysis failed to find any statistically significant difference between the two groups' responses (χ^2 (3) = 1.42, p > .05).[5] Interestingly, a majority (52%) of the members of the moral effectiveness group actually advocated a 0% threshold. Now this is not only contrary to our hypothesis but actually an

[5] This analysis was also performed with the two middle alternatives deleted, with a similar non-significant result.

example of *logically contradictory* ethical beliefs. What makes these respondents into members of the moral effectiveness group, remember, is that they chose shareholder activism over avoidance in Dilemma 1. One the one hand, then, they are saying that ethical funds *never* ought to invest in unethical companies (advocating a 0% threshold), whereas they on the other hand are ready to accept that the ethical fund in Dilemma 1 actually *ought to* invest in the unethical company!

All in all, we should perhaps say that the statistical analysis showed differing results. Sometimes the way in which respondents answered suggests that they had consistent moral orientations that elicited similar responses to different items. But more often, however, the answer to one question was actually in conflict with the answer on another question. This latter fact is even more surprising considering that the analysis focused on the respondents deemed most likely to represent hardline purity and effectiveness supporters in the first place (remember that respondents that indicated that they were unsure about Dilemma 1 were excluded from the analysis)! We conclude from this that there overall is little statistical ground for thinking that something like a consistent moral purity group or a consistent moral effectiveness group really exists among our respondents.

5. Discussion: Explaining respondents' conflicting intuitions

Our more in-depth statistical analysis above indicates that the seemingly conflicting results of section 3 cannot simply be thought of as a conflict between different groups of respondents with different moral outlooks, but many *individual* respondents actually seem to be struggling with conflicting ethical intuitions themselves. But what does this mean more exactly, and how can it be explained? As already noted, Mackenzie and Lewis (1999) found that overshadowing the ethical beliefs of the ethical investors they interviewed was "a fog of confusion". More specifically, they report that their interview subjects "had not adopted a rigorous or well-thought-out ethical approach" (p. 450), and suggest that one reason for this may be that they wanted to be able to get away with combining their ethical beliefs with conventional financial investment strategies. All of Mackenzie and Lewis' interview subjects reported that they really only invest a fraction of their capital in funds with an ethical profile, and they were also less keen on sacrificing financial returns for ethical pay-off than our respondents were. Thus, "[t]he problem ethical investors face", Mackenzie and Lewis write, "is that while they have ethical concerns they are not prepared to sacrifice their essential financial requirements to meet these concerns. So they have to find a compromise" (ibid.).

The compromise, then, is actively or unwittingly refraining from thinking more systematically about ethics. In the end, Mackenzie and Lewis interpret their subjects as essentially being in favour of what they call a "portfolio approach" to ethics: "A portfolio approach to ethics spreads money across a range of investments with varying ethics/return profiles. You might for example have a small amount of money in a highly ethical fund with poor expectations of financial return, a larger amount of money in a somewhat ethical fund with better expectations of return, and the rest in a range of other investments with a spread of risks and returns." (ibid.). The main reason for why their subjects hadn't developed a well-thought-out ethical approach, Mackenzie and Lewis suggest, was then to be able to have an easy conscience while applying this approach to ethics. "[I]t is possible that more rigorous ethical analysis may undermine the validity of the portfolio approach to ethics and so make ethical investment rather less palatable to conventional financial strategies" (p. 451).

While Mackenzie and Lewis fail to report by which standards they found their interview subjects to have poorly thought-out ethical approaches, we believe we have provided evidence to validate this description by comparing our respondents' views with the contemporary philosophical literature pertaining to the ethics of investing. Thus, we agree with Mackenzie and Lewis that ethical investors' ethical beliefs are far from systematic and well-thought-out. But we are not particularly convinced by their explanation of why this is so. We indeed found that most of our respondents also held only a fraction of their investments (median was in the 11-20% interval while the mode was in the 1-10% interval) in ethical funds. Furthermore, another couple of Chi2 tests confirmed that they seemingly did not let the details of their ethical beliefs influence what proportion of their investments they held in ethical funds; this factor actually failed to have a statistically significant relationship with any of our items. But even so, we simply see no good reasons for thinking that they had actively or unwittingly chosen their ethical beliefs to be able to get away with this. In fact, most of our main results are in direct conflict with Mackenzie and Lewis' model of ulterior financial motives and easy consciences.

It should be noted once again that our respondents' ethical beliefs actually are rather radical and demanding in many regards – indeed far more demanding than the contemporary 'ethical' practices of ethical funds. For instance, a majority of our respondents (56.5%) answered that the genuinely ethical thing to do would be to *never* invest in certain unethical companies, and as many as 71.9% thought that you are morally tainted by your relation to these companies even if you invest only indirectly in them. Furthermore, a clear majority (65.0%) of our respondents thought that the aim of influencing companies to change is sufficiently important to warrant at least some sacrifice of financial returns. Now it simply seems hard to believe that our respondents chose these ethical beliefs, either actively or unwittingly, in order to be able to have an easy conscience while applying conventional financial investment strategies. Such non-ethical investing is clearly also *un*ethical according to their own lights. Whereas we found that our respondents had *conflicting* ethical beliefs, then, it certainly does not seem like they had compromised on any of these beliefs as such. And, obviously, this is partly why they become conflicting in the first place – taken as a group, our respondents come out as both hardline moral purists and quite progressive proponents of moral effectiveness!

So is any alternative explanation of this phenomenon possible? Well, we suggest that a key to understanding the ethical beliefs of ethical investors can be found in the contemporary psychological literature on *intuitions* in ethics, and this is indeed why we have been framing our analysis in terms of ethical intuitions throughout the paper. An intuition in ethics can be defined as a spontaneous and pre-theoretical ethical judgement which arises in an individual when confronted with either an abstract question about ethical principles or, more commonly, a concrete ethical dilemma or scenario (Sandberg and Juth 2010, Tersman 2008). According to some recent studies from both psychologists and neuroscientists, there are clear indications that much of our ethical thinking really is determined by this sort of intuitive ethical judgements that we make (for recent overviews of this work, see Haidt and Kesebir 2010, Sinnott-Armstrong 2008). Now psychologists disagree about the exact origin of our ethical intuitions – some say, for instance, that they are the product of evolution while others emphasise their social or cultural connotations (cf. Haidt 2001, Sinnott-Armstrong 2008). Furthermore, philosophers disagree about whether these recent psychological findings should be taken to undermine the reliability of our ethical intuitions, i.e. whether they still can be appealed to in sound moral reasoning (cf. Sandberg and Juth 2010, Singer 2005, Tersman 2008). A fairly popular stance on philosophical methodology, however, suggests that the role of the philosopher basically is to systematise our ethical intuitions – i.e., to make them as coherent and therefore reliable as possible – by trying to find ethical principles which can explain them. On this view, the philosopher would go back and forth between intuitions and principles, sometimes revising his principles but sometimes also discarding his intuitions, until he reaches what is called a reflective equilibrium between principles and intuitions (Rawls 1971, Sandberg and Juth 2010).

Our suggestion here is basically that both the moral purity and moral effectiveness perspectives pertaining to ethics in investment have close affinities to very widespread ethical intuitions – intuitions forming part of what philosophers tend to call 'common sense morality' (see, e.g., Kagan 1989). A very general kind of evidence for this is that roughly similar lines of thinking are central parts of the ethical discussions pertaining to many other fields – discussions in, e.g., biomedical ethics, consumer ethics, and environmental ethics – and, furthermore, that the two perspectives really represent two general ways of theorising about ethics (deontology versus consequentialism) between which the main debate in more theoretical moral philosophy could be said to stand (cf. Kagan 1998). More specifically, it may be noted that several recent psychological studies have been able to confirm the existence of both deontological and consequentialist modules in the human psyche which seem able to explain somewhat different parts of our moral reasoning (see, e.g., Baron and Ritov 2009, Ditto and Liu 2010, Tanner et al. 2008) – and there is indeed a debate among moral psychologists as to whether the two different sorts of intuitions may stem from radically different kinds of psychological processes (cf. Greene 2010).

When our respondent ethical investors respond to our ethical queries, then, we suggest that they can be understood as essentially relating a very basic set of ethical intuitions which they share with many others. Interestingly, when asked questions pertaining mainly to the avoidance strategy, our respondents tended to come out as hardline moral purists, and when asked questions pertaining mainly to the other ethical investment strategies, they tended to think more in terms of the moral effectiveness perspective. Moreover, they obviously had a hard time responding to questions which specifically asked them to try to weigh different ethical considerations against each other. Our explanation of these results is simply that they did not have any more well-thought-out moral outlook, as already established, over and above their set of basic ethical intuitions. Lacking a more well-thought-out moral outlook, or a moral *theory*, they were simply altogether swayed by their more basic ethical intuitions – and they were seemingly able to follow through on these intuitions (even to the extent of defending quite radical ethical judgements) when considering different strategies separately, but were really at a loss when put in situations where more than one kind of intuitive response was possible.

It may be noted that Mackenzie and Lewis' model paints a fairly pessimistic picture of the moral psychology of ethical investors. On our view, however, we suggest that there really is nothing different or worrisome about these investors' moral psychology. The fact that they give contradictory answers to our ethical questions only goes to show that they have conflicting ethical intuitions but, according to the philosophical and psychological literature we have been referring to, probably all of us have (cf. Kagan 1998, Sinnott-Armstrong 2008). And the fact that they do not have any more well-thought-out moral outlook only goes to show that they are not philosophers. But, obviously, not everyone can be expected to be.

6. Conclusion

The present paper has related the results of an exploratory survey distributed among individuals invested in so-called ethical funds, and attempted to develop a better understanding of these individuals' ethical beliefs – especially concerning whether, or why, they think that the practices of contemporary ethical funds indeed are ethical. Survey questions were informed by the contemporary philosophical literature pertaining to the ethics of investing and designed to elicit the respondents' basic intuitions about the ethics of different investment strategies. Our results indicate that respondents show considerable support for both a moral purity perspective and a moral effectiveness perspective, and they seem to find it difficult to choose between these perspectives. Indeed, we find that this is not just a conflict between different groups of investors with different moral outlooks, but many individuals themselves seem to be struggling with conflicting ethical intuitions. We have argued that these results are incompatible with the idea that ethical investors refrain from thinking systematically about ethics simply in order to be able to get away with also investing in non-ethical funds. A more probable explanation is that respondents simply report on central yet conflicting ethical intuitions shared more widely in society.

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Tables

Table 1

Q#	Question wording	Alternatives
Q1	Do you think that ethical funds should avoid investing in companies that you perceive to be ethically problematic? (several options possible)	No, they should not avoid investment in any businesses/industries Yes, they should avoid companies that pollute the environment Yes, they should avoid companies that use child labor Yes, They should avoid companies that produce tobacco, alcohol, or firearms Yes: other alternative (open question)
Q2	To what extent ought an ethical fund to avoid investing in ethically problematic companies?	A. An ethical fund ought *never* to invest in any of these companies B. It may be acceptable to invest in companies that get *less than 5%* of their turnover from these products/practices, but no more C. It may be acceptable to invest in companies that get *less than 10%* of their turnover from these products/practices, but no more D. It *varies from case to case* to what extent an ethical fund ought to avoid investing in these companies
Q3	Assume that company X is involved in practices you find ethically unacceptable and that company Y is a company holding shares in company X. Which of the following statements do you agree with the most?	A. It is just as wrong for an ethical fund to invest in company Y as it is to invest in company X B. It is worse to invest in company X directly than to invest in company Y, but both alternatives are bad C. It is wrong to invest in company X but unproblematic to invest in company Y D. It is worse to invest in company Y than to invest in company X, but both alternatives are bad E. None of the above/Don't know
Q4	The reason why I think that an ethical fund should avoid investing in the companies above is: (several options possible)	A. I think it's wrong to profit from these companies' activities B. I think it's important to demonstrate your disapproval of these companies' activities C. I think it's wrong to give financial support to these companies, which is what you do when you invest in them D. I believe you can influence companies by refraining from investing in them E. I think it's wrong to have any connection whatsoever to these companies' activities F. Other reasons
Q5	Do you think that ethical funds ought to try to make the world a better place, for instance by influencing companies to take a stronger social responsibility? If so, to what extent ought they to be dedicated to this?	A. *No*, an ethical fund ought not to be engaged in influencing companies *at all*. B. *Yes*, an ethical fund ought to try to influence companies as best as it can. But *without sacrificing* any financial return C. *Yes*, an ethical fund ought to dedicate *some resources* to influencing companies, investors will have to accept somewhat lower returns D. *Yes*, an ethical fund ought to dedicate *considerable resources* to influencing companies, investors will have to accept much lower returns E. *Yes*, an ethical fund ought to dedicate *all of its resources* to influencing companies, this is much more important than returns
Q6	Below are a number of strategies which an ethical fund could use to influence companies into becoming more socially responsible. How effective do you think that these strategies are? (alternatives on a 5-point Likert scale)	To avoid investing in companies which fail to comply with certain ethical criteria To vote at the annual general meetings of "unethical" companies To conduct an active dialogue with "unethical" companies To expose "unethical" companies in the media To invest directly in companies with an ethical or environmental profile To be an active owner in both "ethical" and "unethical" companies To donate part of the returns to charity

Table 2

	Ethical dilemmas
D1	Assume that company X is involved in something you find ethically unacceptable, but that an ethical fund has come in contact with some of company X's shareholders who are committed to change in this area. By becoming a major shareholder in company X, i.e. through buying a large amount of shares in the unethical company, the ethical fund can now give the progressive shareholders a majority of votes at the company's annual general meeting. What do you think that the ethical fund ought to do?

A.	The ethical fund ought to buy the shares in the unethical company X and try to change the company from within.
B.	It would be wrong of the ethical fund to buy shares in the unethical company X. The other shareholders will have to try to change it on their own.
C.	Regardless of how the ethical fund acts its behaviour is ethically problematic – it is wrong to buy that many shares in an unethical company, but also wrong not to try to influence its activities
D.	None of the above/Don't know
D2	Assume that company X is involved in something you find ethically unacceptable, but that most stock analysts believe that company X's shares will be among the year's winners on the stock market. An ethical fund decides to invest in company X and donate the money to charity – and, sure enough, the fund makes a ton of money which it then donates to needy children. What do you think about the fund's behaviour?
A.	The ethical fund acted altogether correctly
B.	I would rather have seen that the ethical fund acted differently, but under these circumstances it was okay
C.	The ethical fund acted altogether wrongly
D.	None of the above/Don't know

Table 3

Q2: To what extent ought an ethical fund to avoid investing in ethically problematic companies?

A. An ethical fund ought *never* to invest in any of these companies	56.5%
B. It may be acceptable to invest in companies that get *less than 5%* of their turnover from these products/practices, but no more	12.4%
C. It may be acceptable to invest in companies that get *less than 10%* of their turnover from these products/practices, but no more	3.1%
D. It *varies from case to case* to what extent an ethical fund ought to avoid investing in these companies	22.0%

n=354

Table 4

Q3: Assume that company X is involved in practices you find ethically unacceptable and that company Y is a company holding shares in company X. Which of the following statements do you agree with the most?

A. It is just as wrong for an ethical fund to invest in company Y as it is to invest in company X	36.8%

B. It is worse to invest in company X directly than to invest in company Y, but both alternatives are bad	35.1%
C. It is wrong to invest in company X but unproblematic to invest in company Y	1.9%
D. It is worse to invest in company Y than to invest in company X, but both alternatives are bad	4.5%
E. None of the above/Don't know	21.4%

n=359

Table 5

Q4: The reason for why I think that an ethical fund should avoid investing in the companies above is:

A. I think it's wrong to profit from these companies' activities	50.1%
B. I think it's important to demonstrate your disapproval of these companies' activities	67.6%
C. I think it's wrong to give financial support to these companies, which is what you do when you invest in them	62.3%
D. I believe you can influence companies by refraining from investing in them	61.2%
E. I think it's wrong to have any connection whatsoever to these companies' activities	40.2%
F. Other reasons	3.0%

n=361

Table 6

Q5: Do you think that ethical funds ought to try to make the world a better place, for instance by influencing companies to take a stronger social responsibility? If so, to what extent ought they to be dedicated to this?

A. *No*, an ethical fund ought not to be engaged in influencing companies *at all*.	9.5%
B. *Yes*, an ethical fund ought to try to influence companies as best as it can. But *without sacrificing* any financial return	25.2%
C. *Yes*, an ethical fund ought to dedicate *some resources* to influencing companies, investors will have to accept somewhat lower returns	46.5%
D. *Yes*, an ethical fund ought to dedicate *considerable resources* to influencing companies, investors will have to accept much lower returns	11.5%
E. *Yes*, an ethical fund ought to dedicate *all of its resources* to influencing companies, this is much more important than returns	7.0%

n=356

Table 7

Q6: Below are a number of strategies which an ethical fund could use to influence companies into becoming more socially responsible. How effective do you think that these strategies are?

To avoid investing in companies which fail to comply with certain ethical criteria	3.47
To vote at the annual general meetings of "unethical" companies	2.83
To conduct an active dialogue with "unethical" companies	3.15
To expose "unethical" companies in the media	3.61
To invest directly in companies with an ethical or environmental profile	3.89
To be an active owner in both "ethical" and "unethical" companies	2.63
To donate part of the returns to charity	2.63

n=326-345

Table 8

Dilemma 1*: Assume that company X is involved in something you find ethically unacceptable, but that an ethical fund has come in contact with some of company X's shareholders who are committed to change in this area. By becoming a major shareholder in company X, i.e. through buying a large amount of shares in the unethical company, the ethical fund can now give the progressive shareholders a majority of votes at the company's annual general meeting. What do you think that the ethical fund ought to do?*

A. The ethical fund ought to buy the shares in the unethical company X and try to change the company from within.	19.1%
B. It would be wrong of the ethical fund to buy shares in the unethical company X. The other shareholders will have to try to change it on their own.	16.6%
C. Regardless of how the ethical fund acts its behaviour is ethically problematic – it is wrong to buy that many shares in an unethical company, but also wrong not to try to influence its activities	39.0%
D. None of the above/Don't know	24.4%

n=356

Table 9

Dilemma 2*: Assume that company X is involved in something you find ethically unacceptable, but that most stock analysts believe that company X's shares will be among the year's winners on the stock market. An ethical fund decides to invest in company X and donate the money to charity – and, sure enough, the fund makes a ton of money which it then donates to needy children. What do you think about the fund's behaviour?*

A. The ethical fund acted altogether correctly	3.9%
B. I would rather have seen that the ethical fund acted differently, but under these circumstances it was okay	24.3%
C. The ethical fund acted altogether wrongly	55.9%
D. None of the above/Don't know	15.4%

n=356

Table 10

	Moral effectiveness	Moral purity

		group * % (n=68)	group ** % (n=59)	*P*	n
Support for avoidance strategy in ethical funds (***Q1***)	No	4	5	.86	121
	Yes (to any option)	96	95		
View on appropriate avoidance degree (***Q2***)	0% threshold	52	62	.70	118
	5%	20	13		
	10%	6	6		
	Varies from case to case	22	19		
Support for indirect moral contamination (***Q3***) †	It is just as wrong to invest in Y as in X	55	62	.72	104
	It is worse to invest in X than in Y, but both alternatives are bad	39	34		
	It is wrong to invest in X but unproblematic to invest in Y	6	4		
Reason for avoidance (***Q4***) ††	Wrong to profit from unethical activities	43	51	.39	122
	Important to demonstrate your disapproval	74	70	.65	122
	Wrong to give financial support	63	67	.68	122
	You can influence companies	71	72	.89	122
	Wrong to have any connection whatsoever	43	40	.76	122
Importance of attempting to influence companies (***Q5***)	No	2	16	**.038**	126
	Yes, without sacrificing return	27	27		
	Yes, some resources	55	41		
	Yes, considerable resources	10	9		
	Yes, all of its resources	6	7		
Support for choosing philanthropy over avoidance (***D2***) †††	The ethical fund acted altogether correctly	9	7	**.005**	123
	I would rather have seen that it acted differently, but under these circumstances it was okay	42	16		
	The ethical fund acted altogether wrongly	49	77		

Bold: Significant difference between groups at $P < .05$

*: defined as the population that answered "The fund ought to buy the shares in the unethical company" to Dilemma 1

**: defined as the population that answered "It would be wrong of the ethical fund to buy shares in the unethical company" to Dilemma 1

†: The "Don't know" alternative was removed for this analysis, as was the alternative "It is worse to invest in company Y than to invest in company X, but both alternatives are bad" since it was deemed irrelevant as an indicator of respondents' preferences along the purity/effectiveness dimension.

††: For each alternative, only the percentage that indicated support is presented in the table. One Chi2 test per alternative was performed.

†††: The "Don't know" alternative was removed for this analysis.