

## Investment in alcohol related companies

### 1. The Biblical background

An overview of the Bible's teaching on alcohol would seem to indicate a consistent theme that the production and consumption of wine in moderation is a good, rather than bad, thing. *"go to it then, eat your food and enjoy it, and drink your wine with a cheerful heart; for already God has accepted what you have done"* (Ecclesiastes 9 v7 NEB). Isaiah (5 v1-23) compares ancient Israel to a vineyard. It may be worth noting that until the invention of closed fermentation in the twelfth century (see below), wine and beer were much weaker in strength than their modern equivalents, so drunkenness would have been harder to achieve. It could be argued that the Old Testament prophets seem to have regarded wine as a product which was designed to be consumed at meals in a social context, and whose abuse to produce rapid intoxication was well-known but relatively rare. We cannot tell how they would have described distilled spirits whose *main function* is rapid intoxication if consumed in significant quantities.

In the New Testament many of the parables show no sign of an abstemious attitude; they talk of new wine in old wineskins, or of the labourers in the vineyard. According to John's gospel, Jesus' first miracle was to turn water into wine at the wedding at Cana. Of course, the mere fact that something is mentioned in the Bible does not mean that it is necessarily a good thing, as the same thing could be said of slavery. However, it does seem reasonable to state that wine is generally regarded as acceptable in the Bible, which is not true of slavery in the New Testament. (for example, it is no compliment when Paul describes Christians as "slaves of sin" in Romans 6.)

However, there is also a consistent theme of condemning drunkenness. Isaiah's vineyard allegory continues with a list of accusations, one of which is heavy drinking: *"shame on you! You who rise early in the morning to go in pursuit of liquor, and draw out the evening inflamed with wine, at whose feasts there are harp and lute, tabor and pipe and wine, who have no eyes for the work of the Lord, and never see the things he has done"* (Isaiah 5 v11-12.) This sees drunkenness as a sign of self-indulgence, of the neglect of God for sensual pleasures, which the prophet also claims leads to injustice: *"Shame on you! You mighty toppers, valiant mixers of drink, who for a bribe acquit the guilty, and deny justice to those in the right"* (v23).

There is a similar line of argument by St Paul, e.g. Ephesians 5, 18-19: *"Do not give way to drunkenness and the dissipation which goes with it, but let the holy spirit fill you"*. In Galatians (5, v 13-25) Paul contrasts the "self-control" given by the "work of the spirit" with what we might call the "moral anarchy" released if our lower natures are unleashed: *"fornication, impurity, and indecency; idolatry and sorcery; quarrels, a contentious temper, envy, fits of rage, selfish ambitions, dissensions, party intrigues and jealousies; drinking bouts, orgies and the like. I warn you, as I warned you before, that those who behave in such ways will never inherit the Kingdom of God."* It is well-known that alcohol releases inhibitions, and therefore Paul seems to argue that excessive drinking should be condemned, not just as something bad in itself, but as something liable to encourage other ills such as violence or promiscuity.

This teaching does seem to provide a useful starting point for the analysis of possible investment in companies involved in alcohol. The essential distinction seems to lie in the way alcoholic beverages are used. Moderate consumption of relatively light alcoholic drinks such as wine would seem to be regarded as acceptable. However, products or locations which actively encourage the loss of self-control which accompanies heavy drinking appear to be unacceptable. Such a distinction would seem to favour relatively weak wine or beer compared to spirits such as gin or whisky, where only moderate consumption is sufficient to bring about a significant degree of intoxication. It would also weigh against public houses in favour of restaurants

## 2. **The Methodist tradition**

The question of alcohol does not seem to have become a major issue in Christian ethics until relatively recently. The medieval church, like the Roman Catholic Church today, did not seem to see any great problem with alcoholic drink as such. Indeed, when alcohol did become a major ethical issue in the eighteenth century, it was based on public health issues rather than on a change in theological thought. Beer and wine have been available since antiquity, and in the unsanitary cities of Tudor and Stuart England weak beer was often drunk in favour of polluted water. It was even given as a regular drink to schoolchildren. However, distilled spirit is a fairly recent invention. This is generally believed to have been discovered in the middle ages by monks at Salerno in Italy, who heated wine in closed vessels to produce brandy. At this time alcoholic spirit was extremely expensive and used for medicinal purposes for headaches, stomach trouble, and as a general painkiller. It only became a major social problem when the production of gin on a large scale made cheap mass-produced distilled spirit available to the poor for the first time. Hogarth's 1740 engraving of "Gin Lane" shows a street filled with drunkenness, and a placard on the window of one gin shop states: "*Drunk for a penny, dead drunk for twopence, cheap straw for nothing*".

The enclosure movement of the eighteenth century, which excluded the peasantry from their traditional common lands, and the subsequent Industrial Revolution, resulted in the poor living in conditions of great squalor and poverty in the industrial cities. The availability of cheap spirits offered a way for the masses to temporarily forget their misery, but also led to parents spending money on spirits to the neglect of their family. In the industrial slums of the nineteenth century cheap drink was particularly associated with widespread prostitution and general immorality.

It was therefore not surprising that the religious revival led by John Wesley campaigned against strong drink. This was partly on the basis of what would later be called public health issues, although Wesley seems to have seen such social evils as a prime cause of immorality. There was also the Methodist programme of helping the poor out of dire poverty through self-improvement. In his famous sermon "The Use of Money", Wesley sets forth two reasons to abstain from profiting from alcohol:

*"We may not gain by hurting our neighbour in his body. Therefore we may not sell anything which tends to impair health. Such is, eminently, all that liquid fire, commonly called drams, or spirituous liquors.*

*We may not gain by hurting our neighbour in his soul, by ministering, either directly or indirectly, to his chastity or intemperance...it concerns all those who have anything to do with taverns".*

Wesley's reasoning seems to follow the Biblical teaching quite closely. Wesley castigates profiting from spirits, but does not criticise wine. He also cautions against profits made from "taverns", which from the context seem to be defined as places whose main function is to encourage drunkenness. Like St Paul, Wesley is concerned that heavy drinking leads to the loss of self-control and to further ills like violence and sexual licence. Like Isaiah, there is also the awareness of social justice issues, i.e. that the "tavern-keepers" are exploiting the weakness of the poor to make themselves richer, and putting the poor further into penury. (Elsewhere in the same sermon Wesley condemns those, such as pawnbrokers, who exploit others to gain their money, although he does not mention taverns in this context.)

From the point of view of investment ethics, Wesley's sermon would not seem to rule out investing in any place where alcohol is served, such as a restaurant. What does seem castigated are places which encourage drinking, and where excessive drinking is a factor behind higher profits. In 1989 the Department of Trade and Industry forced the large brewery companies to dispose of much of their "tied-estate", where an individual rented a pub from a brewer on a long-term lease. Apart from being obliged to buy the brewers' own beer, the landlord could do as he liked. The brewers kept their large managed houses, however, which are run by a directly employed manager, and therefore much more under their own control. It would be useful to know if the managers of such managed houses have turnover-related bonus schemes which reward them for encouraging higher drinking.

John Wesley of course lived at the beginning of the Industrial Revolution. As the nineteenth century progressed the poor were increasingly forced off the land to live in the cities in appalling squalor. Alcohol abuse was widespread, which in turn led to the great temperance movement of the late nineteenth century. This was centred upon the Nonconformist churches, although supported by most others. Even the Roman Catholic Church in the UK had a temperance league led by the teetotal Cardinal Manning. The greatest success of the temperance movement was the nineteenth amendment to the US constitution prohibiting the sale or manufacture of alcohol in the US from 1919-1934. Even today there are widespread limitations on the sale of alcohol in the US. Many US states require proof of identification of being over 21 before an individual can purchase alcohol, and the sale of spirits, and sometimes all alcoholic products, are often restricted to specific "liquor stores".

### **3. Social questions arising from alcohol abuse**

#### **3.1 Medical**

Alcohol abuse produces adverse medical effects including some 28,000 alcohol related deaths a year. It would be useful to quantify the overall costs to society. These would probably include the estimated number of alcoholics in the UK, the number of days lost at work through alcohol-related problems, and the total costs to the NHS of alcohol-related diseases. One in seven motor accidents are alcohol related, even if the number of fatal crashes has fallen steadily since 1979.

#### **3.2 Alcopops**

There seems little doubt that alcopops were deliberately designed by the brewing industry as a product to attract young, underage, drinkers. Indeed, an executive of Bass, which dominates this product sector with a 70% market share, seemed to admit as much in a 1999 press interview. From the point of view of the ethics of investment this fact would seem to make alcopops a product, perhaps rather like landmines, where even a small involvement in their manufacture might be deemed unacceptable. Such a distinction seems similar to that made on BSkyB, when following that company's entry into co-production with the Playboy Channel it was deemed to be a sale on ethical grounds. However, we have historically regarded general retailers which sell alcohol, including alcopops, as acceptable investments as long as this is done responsibly.

#### **3.3 Juvenile delinquency**

There is also concern that the brewing industry has designed and aggressively marketed premium strength beers at a young audience. Even if they are over the age of 18, such products may encourage violence and antisocial behaviour. There is similar concern about the industry's development and heavy advertising of extremely strong cider targeted at young women some ten years ago.

#### **3.4 Gambling and cigarettes**

It has been estimated that fruit machines are a major source of profit for most public houses, although the brewers tend to downplay this. It is probable that such machines may lead some young people to become addicted to gambling. Virtually all public houses sell cigarettes. It seems likely that the consumption of alcohol encourages consumption of cigarettes. Given that alcohol impairs judgement and lowers inhibition, it seems reasonable to assert that pubs may encourage not only excessive drinking, but also consumption of cigarettes and increased gambling in a self-feeding process.

#### **4. Conclusion**

Based upon Biblical teaching and the Wesleyan tradition, two key conclusions can be drawn:

- that alcohol is not a bad thing in itself;
- but that consideration of the ways in which it is used is crucial.

Therefore, when deciding if a company is appropriate for investment:

- the extent to which commercial success is based on encouraging increased drinking should be considered;
- the exposure to the production and sale of alcohol should be quantified and;
- the greater negative effects of spirits and alcopops compared to wine and beer should be recognised.

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