

Williams is Responsible for the Consequences of its Investments

Mike Levien. Williams Record, April 11, 2000.

The flows of capital, commodities, and information in this world connect us with distant people and places in ways that are becoming increasingly profound and difficult to understand. These connections are often indirect and thus fall below the threshold of perception. This failure of perception is dangerous to the extent that we fail to comprehend the implicit social consequences of our actions. How could Williams College, for example, be implicitly supporting and profiting from human rights violations, discrimination, environmental degradation, and the manufacture of harmful products? Well, how about through its financial investments?

Currently, the Williams College portfolio includes over one-hundred and fifty corporations and is worth close to one-billion dollars. The College does not consider the social behavior of corporations in its investment decisions, meaning that it may hold shares in firms guilty of any of the activities previously mentioned. The College pursues a profit-maximization investment strategy, which has been extraordinarily successful financially as evinced by our considerable endowment. But to what extent does the College, as a shareholder, bear an ethical burden associated with that profit? Is the College implicitly supporting and condoning the behavior of the firms in which it invests?

Let us examine the relationship between corporations and shareholders. Incorporation is essentially a mechanism to consolidate capital and limit liability so as to produce goods and services the public wants. However, the resultant distancing of management from ownership is not complete functionally, since shareholders elect a firm's managers, and is certainly not complete ethically. Because shareholders invest in a stock with knowledge or potential knowledge of a firm's behavior, and financially profit from that behavior, they are in fact condoning the behavior of that firm, or at least affirming that their individual profit takes precedence over the social consequences. Furthermore, by helping to supply the capital which enables a firm to operate, the shareholder is, in fact, sustaining the behavior of that firm. If a shareholder invests in a corporation that is operating in a socially harmful manner, the shareholder, although not wholly responsible for management's action, is nonetheless ethically complicit. Can we accept that Williams College may be augmenting its coffers with funds derived from activities that we find morally reprehensible? As the greatest beneficiaries of the College's investments, do we, as students, bear an ethical burden associated with that profit?

Williams College has, to a certain extent, addressed the issue of socially responsible investing. During the 1970s and 1980s, socially responsible investment became a hot issue at Williams, as on many university campuses, because of the growing political outrage at the behavior of corporations in apartheid South Africa. In response to this activism, the College divested from Caterpillar, which was selling tractors to the South African government for use in bulldozing shanty-towns. In addition, the College created the Advisory Committee on Shareholder Responsibility. The ACSR has discretion over how the College votes on social shareholder resolutions for the firms in the endowment. Shareholder resolutions, known as "proxies," are initiated by concerned shareholders who disagree with and want to change some aspect of a firm's behavior. Although these proxies almost never pass by a majority, if a resolution gets a substantial number of votes, management often pays attention. Thus, the College has made a commitment to voice its opinion concerning the behavior of the firms in which it invests. Does this mean we are absolved?

The Purple Druids and many others in the College community feel that the first step in confronting this complicated issue, is to make the College's portfolio available to all Williams students, faculty, staff, and alumni in order to understand what kind of activities the College is endorsing through its investment practices. Pursuant to these ends, the College, after conversations with the Purple Druids, has consented to the annual release of the investment portfolio to the Williams community. In addition, the portfolio will be accompanied by the IRRC Social Reporter, which is a comprehensive, impartial information source for corporate behavior provided by an independent consulting firm. The portfolio and the Social Reporter will be available at the Sawyer Reserve Desk later this month. This commitment to transparency is an essential step in evaluating the College's social responsibility and stimulating public discourse concerning the implicit consequences of Williams' behavior in the larger social/institutional world.

But what should we, as members of the College community, *do* if we are morally opposed to the College's investments? What if the College invests in firms that employ sweatshop labor or have discriminatory hiring practices or that manufacture dangerous and harmful products or destroy the natural environment? Should we pursue shareholder activism through proxies or should we divest from egregious corporations? Or, instead of focusing on the bad, should we proactively invest in good corporations that are developing solutions to social problems? The latter is an option that the Purple Druids and other concerned students and alumni are currently pursuing. Can we in good conscience throw up our hands and say, "There will always be social problems, it's not my responsibility?"

Because our answers to these questions have *real* social implications, this is a discussion we must undertake. For more resources on socially responsible investing, and to see the College's portfolio, you can go to the investment link on the Purple Druids homepage (<http://wso.williams.edu/orgs/druids/>). If you want to get involved in taking action or simply discuss the issue, you can come to a Purple Druids meeting at 9pm Monday nights at Kellogg House. In addition, as part of the "Who's Responsibility Is It?" project, there will be a write-in banner accompanied by the College's portfolio in the Sawyer library stairwell to solicit student comments. Just like investing to maximize profit, silence is not value-neutral.