

DIVEST: *di-vest transitive verb a: to deprive or dispossess especially of property authority, or a title; b: to undress or strip especially of clothing, ornament, equipment; c: rid, free. This is the definition of divest from Merriam-Webster Dictionary. At the Claremont Colleges, divestment has been at the forefront of a campus-wide debate. What is it really worth after all? TSL has been investigating the divestment movement since it began here, but there are some questions that have never been addressed. And unfortunately, those questions still do not have answers. The conversation is continuing, and this is far from the end.*

DIVESTMENT:

what are we investing in?



The 5C Divestment Campaign organized a candlelit vigil on December 3, 2012 in front of Frary Dining Hall.

Aaron Potei • The Student Life

Expert Opinions Weigh in on Divestment Strategies

Joanmarie Del Vecchio
Staff Writer

Proponents of the movement to divest at the Claremont Colleges claim that the economic and political pressure of divestment will cause real change in government and energy firms and catalyze large-scale environmental action. However, once market-savvy professors on campus weighed in on the merits of the divestment campaign, it became clear that divestment may not be as straightforward or effective as it may seem.

Richard Hazlett, geology professor and coordinator for the environmental analysis program at Pomona College, says he has seen the strength of the environmental movement come and go over the decades. “So far this ‘climate conundrum’ ... hasn’t galvanized action on the part of humanity,” Hazlett said.

However, Hazlett said he feels that time is running out for citizens to take a stand on meaningful change.

“It’s not an environmental problem, it’s a political problem,” he said. According to Hazlett, our government is in the grip of powerful firms and we, as citizens, should take a moral stand.

“I think that the colleges and universities really ought to propagate the message” of the injustices committed by the fossil fuel industry, Hazlett explained.

This symbolic message is among the goals of the divestment campaign. Colleges and universities show by example that citizens will no longer tolerate the activities of the fossil fuel industry.

“It’s a conversation that begins at these institutions,” said Deirdre Smith, West Coast Organizer of 350.org.

Smith saw the growth of interest in socially responsible investment funds when colleges began reexamining their holdings.

“It’s really lifting up the narrative of, ‘Is this a safe investment?’” Smith said. “We know we’re creating a national conversation.”

On the other hand, Smith said that schools often realize that they could have just as high of returns on fossil-free funds as they saw in previous portfolios. She pointed to the five-year stipulation of divestment as a way to allow institutions to divest in a responsible way.

Smith also explained another strategy, which she called, “divest or we’ll find another

money manager,” as a reason for the upsurge of interest in socially-responsible funds.

“No one’s saying [divestment] is simple,” said Smith, “but it’s absolutely possible.”

The mechanics of endowment investing, however, raise questions of the effectiveness of divestment. John Jurewitz, economics lecturer at Pomona, said he sees logistical pitfalls in divesting a college endowment.

“Most endowments do not consist of trustees buying, picking, and choosing individual stocks,” Jurewitz said.

Instead, the Board of Trustees buys into funds of individual fund managers, who are free to manage funds without much input from the trustees. Trustees have little influence over the funds’ holdings, Jurewitz explained, including stipulating that certain industries or companies be avoided.

Bo Cutter, professor of economics at Pomona, is also wary of the risk posed by a narrow investment strategy inherent to divestment’s goal.

“The college can’t have diverse investment with divestment,” Cutter explained. He also advised that actively trading in the current market is a risky move in itself. Logistically, then, divestment poses issues for board members entrusted with the responsibility of seeking the highest returns on their investments.

Cutter said that he believes the value of divestment lies in its ethical roots, although it would come at the price of risky investment strategies.

“As long as everyone knows it’s a moral statement, we would bear the cost,” Cutter said. But Cutter views the present demands of the divestment movement as too vague.

“We cannot accept a commitment until a real pathway is established ... it is nowhere near defined as an objective,” he said.

Pomona already has a review process in place to ensure socially responsible proxy votes for shareholder votes. Thomas A. Moore, professor of physics and Convener of the Social Responsibility Committee, said that the committee itself was formed after the divestment campaign of South Africa.

The board examines voting issues brought to them by the treasurer. The committee then votes and makes a recommendation to the president of the college who, in turn, makes a recommendation to the Board

of Trustees.

Moore acknowledged that fossil fuel companies like Exxon-Mobil would probably never change the fundamental and underlying business of the firm, which ultimately involves the extraction and distribution of fossil fuels.

“Unless there was a whole movement among the Exxon shareholders, it would be a gesture,” Moore said.

Jurewitz also said that he does not see the divestment movement as having a significant impact on the fossil fuel companies.

“Even if something as large as all the college endowments in the United States were to withdraw their money from fossil fuel companies, I think that it would have a really, really, really minimal effect on the stock prices,” said Jurewitz.

He said that there are also too many large investors who would rush in and buy the stock. The much bigger players in the divestment field—holdings of powerful countries like Saudi Arabia and China—will be far more concerned about wealth than a morally driven divestment initiative.

“My opinion is that we can’t hurt these guys directly,” said Jurewitz. He said it would be a largely symbolic measure, “and if that’s what you want to do, well, go right ahead.”

Indeed, Jurewitz sees a clearer solution: reduce our carbon footprint by cutting back on our own use of fossil fuels.

“[Shareholders] don’t fund [energy companies], consumers do. If we do want to hurt them, we ought to quit buying their product,” Jurewitz said.

But, as Jurewitz noted, it is almost impossible to become carbon neutral. Smith agreed that there are structural difficulties in becoming carbon-neutral.

“It’s hard to walk the talk and become carbon-neutral,” Smith said.

For example, the 2010-2011 Pitzer College Climate Action Plan found that the largest contributors to Pitzer’s carbon emissions were study abroad air travel and travel between campus and home.

“The system doesn’t lend itself to individual footprint reduction, but it does lend to individual activism,” Smith continued.

Jurewitz saw a compromise by using our investment dividends to “[invest] in renewable energy funds, buy California Carbon Allowances, and fund real actions

on campus to reduce our campus carbon footprint.”

Jurewitz added that the problem of fossil fuel dependence is institutional and due to an unbalanced tax system. He proposed that the government reduce taxes on income and investment and increase taxes on carbon.

Cutter said that the government will begin to regulate fossil fuel firms’ untapped oil reserves and enact more climate change policy.

“These companies’ stock prices rely on their ability to sell their reserves,” Cutter said, “and if they can’t sell their reserves, then stock prices would go down.” Cutter sees this scenario as one where selling holdings in energy companies would, in the long run, be the right choice for the endowment.

“Divestment may not be a solution, but it is part of a package of public awareness.”

-Richard Hazlett, Coordinator of the 5C EA Department

However, Jurewitz dismissed this as improrable.

“If I really thought that these stocks would become such a worldwide pariah, perhaps it would be best to sell, Jurewitz said, “but I don’t think this is going to catch on.”

Indeed, the sheer inelasticity of demand for fossil fuels should give both environmentalists and motorists pause. Consumers in the present and near future have virtually no alternative to fossil fuels, so government regulation will drive prices of both the product and energy stock up.

As a political movement, divestment is more of a symbolic statement than an effective tool to influence lawmakers. According to Jessica Lovering, Policy Analyst in the Energy and Climate Program at the Breakthrough Institute, an Oakland-based environmental think tank, divestment has little political merit because colleges are still using products that come from fossil fuels.

“It is viewed as purely symbolic,” Lovering said of divestment.

Instead, Lovering suggests that colleges should invest in energy innovation and the development of alternatives to fossil fuels.

“[Investing in innovation] contains the symbolism and is pragmatic and still shows value,” Lovering said.

The greatest benefit this movement may have on campus is the mobilization of students around awareness of fossil fuel dependency.

“Divestment may not be a solution, but it is part of a package of public awareness,” Hazlett said.

William Ascher, professor of government and economics at Claremont McKenna College, said that he believes divestment is “doable and can be done with minimal impact on endowment,” though the money’s

Divestment Presents Challenge

Pomona College and Pitzer College have both convened meetings this month enabling students to discuss their cases for divestment with members of the colleges’ Boards of Trustees. The meetings each involved a student presentation and a subsequent conversation between students, trustee members, staff, and faculty present at the meeting. The conversation resulted in two conclusions. First, more information was requested from both the students clarifying or adjusting their demands, and from the fund consultants in determining the amount of fossil fuel investment in each fund. Second, divestment is not simple, because the colleges are invested in commingled and mutual funds, and their funds are often managed by numerous—sometimes even hundreds—fund managers.

POMONA’S COMMINGLED FUNDS:

Pomona College invests 92.2 percent of its investment pool through commingled fund vehicles, according to information in a presentation given by Treasurer and Vice President of Pomona Karen Sisson at the meeting with members of the Board of Trustees on Thursday.

A commingled fund is similar to a mutual fund, but not open to individual investors and not heavily regulated by the Securities and Exchange Commission. Sisson emphasized that Pomona is invested in multiple funds. According to Sisson, Pomona has “over 260 fund managers.”

Sisson said that while Pomona, through Cambridge Associates, selects the money manager, the manager then implements a strategy in selecting the stocks or other assets.

“At any given moment in time, we could take a snapshot of the portfolio, but it could change the next day,” Sisson said. “It’s very hard, because we have many different investment advisers and each of their strategies is different, and so we could not provide a list of what we invest in now, and of course tomorrow would be different,” President David Oxtoby said in the meeting with students.

PITZER’S MUTUAL FUNDS:

Yuet Lee, Treasurer and Vice President of Pitzer College, explained, “We have no direct investment in any specific company, in fossil fuel or any other type of company ... our investments are in mutual funds.”

Mutual funds involve the pooling of capital from several investors into one fund. The portfolio manager then makes investment decisions. The portfolio of one mutual fund includes a variety of investments, and a variety of assets, including stocks, bonds, or currencies.

“If you look at a mutual fund, there are hundreds to thousands of companies that a mutual fund can invest in. We do not go into every company that a mutual fund is investing in,” Lee said.

This process is not as simple as investing in one mutual fund under the guidance of one financial adviser. Pitzer is involved in over 100 mutual funds, Lee estimated.

“I don’t believe anybody goes into it and looks at every single company that a mutual fund is invested in in that kind of detail,” Lee said.

SUCCESSFUL INVESTMENT STRATEGIES

Pomona College’s investment pool has grown by more than 750 percent in the last 25 years, according to Sisson’s presentation, from \$0.21 billion in 1987 to \$1.83 billion in 2012, outperforming the S&P 500—the index that indicates the overall performance of the stock market—by an “average of 2.2 percent annually over that same timeframe.”

Sisson argues that determining what each portfolio contains is often not feasible.

“Even though we do have some funds that are dedicated specifically to stocks, they may be held for a day or a week or two months or a year, so our holdings are changing because we have selected these managers because we believe through the advice and due diligence of Cambridge Associates, who is our investment consultant, that these managers have come up with strategies and models that consistently outperform the market,” she said.

CHALLENGES OF DIVESTING:

Lee and Sisson said they were requesting that their financial consultants report back to the colleges with more information on the contents of the funds.

“We asked the investment consultants to look at our portfolio to give us an idea of which one of these funds have investments in fossil fuels,” Lee said. “Just as we can buy into a mutual fund, we can sell out of that. But what would the impact of that be in terms of the investment strategy that is already in place?” Lee asked.

Sisson explained that Pomona is also in the information-gathering stage of the process.

“We would have to look at our consultants and say, ‘Can you look at a range of different scenarios and try to help us quantify what the impact would be?’ because we really don’t know. That hasn’t been done yet,” Sisson said.

“To ensure zero exposure to fossil fuel companies, the college would need to liquidate virtually its entire portfolio and start from scratch,” Sisson said.

LOOKING FORWARD:

Lee predicts that the information gathered from the consultants will be discussed by the investment committee of the Board of Trustees in their meeting in May. Similarly, at Pomona, Sisson said that the chair of the investment committee and Allison Brown, a member of the committee who met with students on campus last week to discuss divestment, had committed to having a discussion with the rest of the committee and possibly with the full board at some point leading up to the next meeting in May.

In the past, Pomona implemented a screen for companies that derived more than 25 percent of their income from tobacco.

“The portfolio now is just so much more sophisticated,” Sisson said. “One of the things about electronic technology is that you can day-trade a stock. You might have a manager who holds it in the morning and sells it in the afternoon; it’s a very different form of investing than [what] was happening twenty years ago.”

STUDENT OPINIONS ON DIVESTMENT:

“I’m ambivalent towards it. I haven’t heard any real concrete negative effects of Divestment but the benefits seem more about sending a message than actually fighting climate change in any substantive way.”

“Despite the questionable impact on the fossil fuel industry, I think it is a step (albeit very small) in the right direction.”

“I suppose I support it more than not, but I wish McKibben had focused on a different movement. Also, I think that if the school divests, it should be able to reinvest in anything, not just green energy.”

“Divestment seems to be an entirely symbolic movement. While symbols can be powerful (i.e. images of crowds walking during the Montgomery Bus Boycotts), this a weak symbol; to outsiders, it appears to be a group of privileged students who are personally sacrificing nothing to demonstrate their moral superiority over others.”

Time Capsule: Divesting from South Africa

Jared Kalow
Special Features Editor

Between 1985 and 1986, a campaign to divest from companies doing business in apartheid-era South Africa took hold across the nation. Now, 27 years later, the 5Cs are taking inspiration from the movement’s strategy in their fossil fuel divestment campaign.

Trustees at both Pitzer College and Claremont Graduate University were the only colleges among the 5Cs to divest from companies doing business in South Africa, according to a May 15, 1986 article in the *Los Angeles Times*. Pitzer divested \$2.1 million from its stock portfolios, about 20 percent of Pitzer’s total investments. In particular, Pitzer divested from “blue-chip” companies like IBM, AT&T, and U.S. Steel.

“I’m very happy about the process,” said James Lehman, then-assistant professor of economics at Pitzer, who chaired the ad hoc committee. Lehman is now emeritus professor of economics at Pitzer.

“It seemed to be thoroughly grounded in the community, and it reflected a widely held sentiment that some kind of statement needed to be made by the college as a body.”

Then-Pitzer President Frank Ellsworth said divestment made a limited impact financially, but was significant as a political and moral action.

In a Feb. 7, 1987 article in *TSL*, Dave Fratello wrote, “Actually divesting was easy from the point of view of trustees. Pitzer’s investment company simply deleted the more than 20 offending corporations from the college’s long portfolio and reinvested the money in other stocks.”

The article also mentioned that Pitzer’s profits would be unlikely to change as a result of the divestment.

CGU divested 10 percent of its \$37 million portfolio but maintained support of three companies (American Home Products, General Motors, and IBM), which accounted for six percent of its total investments, according to the *LA Times*.

Claremont McKenna College had assigned a committee to study the issue in 1985 and reported that the Board of Trustees would make a decision in June of 1986. Pomona College, Harvey Mudd College, and Scripps College had no plans to divest.

Then-Pomona President David Alexander opposed divestment because it would cause the school to lose influence at the companies in which the school was invested. In 1986, Pomona had \$7 million of its \$100 million endowment invested in companies working in South Africa, according to an article in *TSL* from Nov. 14, 1986.

“As long as we hold our shares we can continue to slate our views,” Alexander said

in the Nov. 14 article. “As soon as we sell that stock we lose the ability to speak.”

While Alexander acknowledged that there were valid moral reasons for divestment, he said he believed that divestment would not cause disinvestment in South Africa, meaning that if Pomona were to divest from companies doing business in South Africa, other investors would replace Pomona, and the companies would not be affected.

“I think divestment is a cop out,” Alexander said in an interview conducted by *TSL* for the Feb. 6, 1987 issue.

On Dec. 15, a group of Pomona students erected a “shanty dorm” across from President Alexander’s house, calling for divestment from companies working in South Africa, according to the 1987 issue.

The same week, *TSL* polled students about whether Pomona should divest from companies that supported South Africa. Seventy percent said yes, 23 percent said no, and 7 percent gave no answer. When asked, “Would you participate in activities to support divestment?” 46 percent said yes, 46 percent said no, and 8 percent gave no answer.

Protest organizer Kevin Gardner said, “If people think about [the issue of divestment], maybe they’ll develop some sort of opinion and act on it, whether pro- or con-divestment.”

Divestment Campaign Maintains Broader Goals

Jenna Perelman
Contributing Writer

DO THE MATH

The movement to divest from fossil fuels first gained national attention when 350.org, an international nonprofit environmental organization, began promoting the campaign during its “Do the Math” tour in November 2012. Bill McKibben, the founder of 350.org, was the keynote speaker in the tour.

The exponential growth of interest in fossil fuel divestment arose after the Do the Math tour.

350.org is partnered with a number of other organizations, including the Better Future Project, the California Student Sustainability Coalition, and the Sierra Student Coalition.

Deirdre Smith, the West Coast Fossil-Free Organizer with 350.org, said that the organization researched the campaign for about a year before deciding to throw its full political weight behind the movement.

“350 really felt that divestment was the tool that would bring the movement that we’re trying to build for climate justice to a national level and create the paradigm shift we need to start addressing the climate crisis,” Smith said.

DIVEST THE WEST

This past October, 350.org sent out one of its regular e-mail updates with a special postscript: a call to student activists interested in getting involved in a new campaign against the fossil fuel industry. Jess Grady-Benson PZ ’14, Kai Orans PO ’14, and Megan Tokunaga PO ’15 all signed up. Soon after, Smith contacted them to organize a group of 5C students to attend the nearby Do the Math tour stop at University of California, Los Angeles.

“Some schools [I work with] have five or 10 students organizing, but these three students are working on five campuses and blew me away with their creativity and outreach,” Smith said. “Within five days, they organized over 80 students to march through UCLA’s campus.”

350.org asked Smith to find a student to speak at the UCLA meeting. Smith was so impressed with Grady-Benson’s previous environmental work on campus that she knew she was perfect to speak alongside McKibben in front of more than 1,000 students in UCLA’s Ackerman Grand Ballroom.

From that first action, the divestment campaign in Claremont exploded. The 5C rally at UCLA gained the attention of the *Los Angeles Times* as one of the first campuses on the West Coast to implement a divestment campaign. The Claremont campaign was also specifically mentioned in the *New York Times* and in a *Rolling Stone* article by Bill

McKibben.

The Claremont divestment team is organized differently from other campuses’ teams because of the nature of the consortium. The team consists of a core group of two to three students from each college. Grady-Benson, Orans, and Tokunaga are the lead organizers of the core team. Grady-Benson and Tokunaga are currently 350.org interns. Orans and Tokunaga also interned at the 350.org office in Oakland, Calif. this past summer.

WHY DIVESTMENT?

For the activists closely involved with the movement, divestment is not the sole answer to the climate crisis. They recognize that individual colleges divesting their share of their endowments will have a negligible financial impact on the fossil fuel industry, but stress that divestment involves more than just finances.

“We view divestment as a lot more than just financial impact. It’s a social and political impact,” Orans said. “Colleges and universities have always had a powerful position on social and political issues of the time. Climate change is the issue [of our] time.”

Char Miller, the Director and W. M. Keck Professor of Environmental Analysis at Pomona, believes that the greatest benefit of the divestment campaign is its success in opening up the national conversation on climate change.

“Divestment is really a moral claim made in the civic arena ... It’s a way to force open into the public a debate about the way we are living now and why those patterns of living need to change,” Miller said.

In the past, much of environmental activism has been splintered into many different campaigns with little progress. In particular, there has been a difference in the environmental justice and climate change activism movements.

The concept of environmental justice focuses on the idea that certain individuals make up “frontline communities” that disproportionately suffer the effects of environmental degradation.

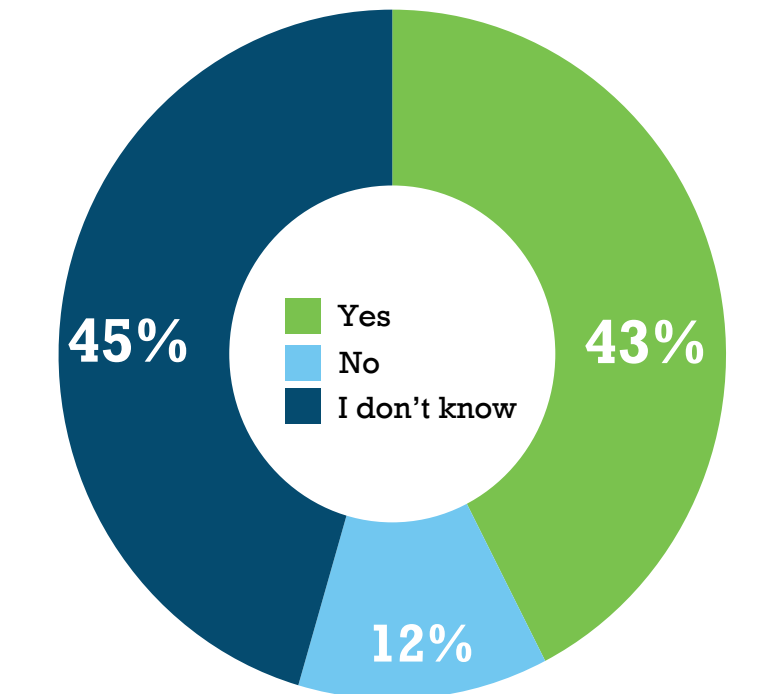
“There’s this belief that the mainstream environmental movement is primarily comprised of upper middle class white people and that it doesn’t take into consideration issues of environmental justice and low-income communities and minorities,” Grady-Benson said.

“The fight for climate justice is not a one-race problem,” she said. “Everybody is affected by climate change, and we need to take into consideration those who are disproportionately affected. We need to unite these movements so that we can fight together.”

Three schools—Unity College, Hampshire College, and Sterling College—have divested their funds from fossil fuel stocks. In December, Seattle Mayor Mike McGinn urged the \$1.9 billion Seattle pension fund to divest and committed to divesting all city funds.

TSL randomly selected a sample of 10 percent of currently enrolled Pomona students studying on campus. An online survey was created and emailed to the selected sample. The survey included two demographic questions and two questions seeking opinions on the 5C Divestment Campaign. The response rate was about 54 percent. - Rachel Keyser

Would you vote for your school to participate in Divestment?



Do you support the Divestment campaign at your college?

