

**The Divestment Strategy:
Principles and Criteria**

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to the General Assembly Council and [directed] that the General Assembly Council be informed that the Mission Council's Committee on Mission Responsibility Through Investment is prepared to complete the report. (*Minutes*, 1983, Part I, p. 207.)

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Response: The study is being conducted by the Committee on Mission Responsibility Through Investment (MRTI). Since MRTI (NY) and MRTI (Atlanta) began operating together, the General Assembly Mission Board also has been involved in this study. The work has been organized in two stages, with previous General Assembly approval. The first stage is an analysis of divestment as a general strategy in the socially responsible management of the church's funds, with recommended principles and criteria for approaching any divestment proposal.

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Based on principles and criteria, when adopted by the General Assembly, MRTI will evaluate the possibility of divestment related to South Africa and prepare a specific divestment proposal, if appropriate. Upon authorization by the General Assembly Council, such a proposal would be referred to the church's investing agencies for analysis and testing and to other agencies for comment. Following this process, MRTI will prepare its report and recommendations to the General Assembly Council, which will in turn shape its final report and recommendations to the 197th General Assembly (1985) on "the possibility of divesting of stock in corporations that do business in the Republic of South Africa."

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Therefore, the General Assembly Council and the General Assembly Mission Board recommends that the 196th General Assembly (1984):

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1. Adopt and use "Divestment Strategy: Principles and Criteria" (25.199-.210);

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2. Urge its adoption and use by sessions, presbyteries, synods, and church-related institutions;

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3. Receive the study "Divestment Strategy: The Ethical and Institutional Context," as mandated by the 193rd General Assembly (1981) of the United Presbyterian Church and reaffirmed by the 195th General Assembly (1983) of the Presbyterian Church (U.S.A.), and order it to be printed in the Minutes; and urge its study, along with "Principles and Criteria," by other governing bodies, congregations, and church-related institutions.

B. Referral: Study of Divestment

25.192 [For Assembly action, see pages 58, 59.]

The 193rd General Assembly (1981) of the United Presbyterian Church directed the General Assembly Mission Council to:

study the possibility of divestment of stock in corporations that do business in the Republic of South Africa, to inform such corporations in which the United Presbyterian Church owns stock of this study, and to report the results of this study to the 195th General Assembly (1983). (*Minutes*, UPCUSA, 1981, Part I, p. 252.)

The 195th General Assembly (1983) of the Presbyterian Church (U.S.A.) reassigned the request

**The Divestment Strategy:
Principles and Criteria**

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The Presbyterian Church (U.S.A.) faces the responsibility for investing assets accumulated over many years. Such investment holdings function in two ways in relation to the mission of the church. First, they are a source of income for the support of mission program and institutional objectives.

Second, investment holdings represent power and influence for pursuing mission objectives of the church directly.

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For well over a decade, the Presbyterian Church through General Assembly action has had definite policies and guidelines for fulfilling the second investment function described. These policies and guidelines set forth the biblical and theological bases for this form of mission involvement. (See *Minutes*, UPCUSA, 1971, pp. 596-629, and *Minutes*, PCUS, 1976, pp. 513-518.) The terms "social responsibility in investment" and "mission responsibility through investment" were used most often to describe these efforts in both the United Presbyterian Church and the Presbyterian Church in the United States. It has been the Reformed tradition's bias toward pragmatic involvement in the world that allowed for church investments in the first place and then for the attempt at responsible investment. The theology of mission extends the concept of stewardship into society and insists that the full influence and impact of church investment be seen in the larger social context, with motivation beyond financial gain, important as that is.

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The means of administering the investment activity of the church is known as trusteeship. While those who function as trustees are elected by and accountable to the bodies they serve, their responsibilities are also defined by civil law and thereby linked to the larger society. Thus, trusteeship within the church reflects both the particular purposes of the Christian community and the fiduciary responsibilities, legal requirements, and specific terms of trust that govern trustees.

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In this context, divestment of holdings in a particular firm or class of firms is both part of the normal management of funds and potentially an occasion for Christian witness to God's call for justice and the renewal of society. Considered below and in the study on which these principles and criteria are based, divestment refers specifically to divestment as a means for social witness and engagement. The imperatives of the gospel demand that we weigh the church's involvement in a particular investment with the church's engagement in the larger society. In some cases, trustee responsibility may make divestment difficult, if not impossible, within conventionally understood legal limits. Especially in light of our Reformed heritage of transforming involvement, however, the possibility of divestment will require careful deliberation.

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These principles and the following criteria are intended to guide those governing bodies and their agencies making recommendations concerning divestment. These criteria are further intended to serve as an aid to trustees of related institutions and organizations throughout the church:

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1. The issue on which divestment is proposed

should be one reflecting central aspects of the faith.

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2. The issue on which divestment is proposed should be one that the church has addressed by a variety of educational and action efforts, such as:

- correspondence with companies
- discussion with company managers and directors
- statements, questions, and shareholder resolutions at stockholder meetings, and
- legal action against companies.

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3. The analysis supporting the proposed action:

- a. should be clearly grounded in the church's confession and unambiguously present in the social policy of the General Assembly;
- b. should clearly define the behavior and stance of the corporate entities whose policies or practices are at issue; and
- c. should state the ends sought through divestment.

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4. The decision should be taken after consultation with the ecumenical community, whenever possible. The implementation of a divestment action should ordinarily be in solidarity with other Christian bodies.

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5. Efforts should be made to examine the probable effects and consequences of the action with affected communities, particularly Presbyterians.

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6. The proposed action should be sufficiently precise that the effect of its application can be evaluated.

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7. Any proposed divestment action should include provision for:

- a. informing appropriate church constituencies;
- b. giving appropriate public visibility to the action;
- c. engaging other governing bodies and members in advocacy for the ends that prompt the divestment;
- d. giving pastoral care to those directly affected.

THE DIVESTMENT STRATEGY: ETHICAL AND INSTITUTIONAL CONTEXT (STUDY PAPER)

25.211

Outline

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- B. The Structure of Corporate Ethical Decision

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1. Ethical Decision in a Corporate Context

A. *Intentional Ethical Decision*

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All acts embody values and reflect a sense of what is necessary, appropriate, or right in the given context. This is as true for corporate bodies and institutions as it is for individuals. Most "decisions" to act are made without conscious reflection. Experience and instinct validate particular acts as "right" without any real sense of conflict or tension. That is, they are unconsciously perceived as consistent with the "character" of the person or body, with the values and commitments that have been formed and the purposes or consequences that are sought.

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From time to time, however, pressure to decide and act leads either a person or a corporate body to reflect consciously and intentionally on the course to be chosen. The ethical structure of decision and action is not different in such situations, but the decision itself is obviously perceived to be more difficult. Some or all of the factors that are calculated unconsciously most of the time signal us that an unusual degree of ambiguity, tension, conflict, or risk is present.

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Briefly, we think deliberately about the values we hold, the commitments we make, the purposes we seek, and the consequences we will accept—when we are faced with the need to decide and act on important matters, when values are in conflict, in the face of ambiguity or tension, when one desirable purpose seems incompatible with the pursuit of another, when the risks and consequences are actually or potentially

serious. This is true both for individuals and for corporate bodies, but there are structural differences in intentional ethical decision between the two. This assertion may seem self-evident but a brief discussion of some of these differences is in order, since our frame of reference is a potential corporate decision of the church.

B. *The Structure of Corporate Ethical Decision*

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Corporate bodies like the church are internally pluralistic, regardless of how monolithic their character, motivation, and purpose may sometimes seem to outsiders. It may be theoretically possible for a group to exist in which each and every individual member has identical values and commitments, symmetrical goals and priorities, common judgment about strategy and timing and compromise, along with equal willingness to accept risk and sacrifice. If so, such a group could (and would) decide and act (unanimously) as a single individual would. In reality, however, a corporate body is a collection of individuals and more or less formal subgroups with varied values, priorities, interests, willingness to act in the face of risk, and senses of timing and tactics. In all of these areas, as well as in opinions about appropriate trade-offs and how much should be expended for this or that objective, judgments will vary—sometimes slightly and subtly, sometimes seriously and substantively.

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These variations assume special significance for a corporate body when it is faced with the need to decide and act on a particularly ambiguous and serious matter—one that has the characteristics noted above. We ordinarily refer to such matters as "controversial" for obvious and appropriate reasons. The process of decision in such matters is "political" in a way that a decision made by individuals is not, since a group is a "polis." The corporate "actor" must define some acceptable compromise value or goal, mediating the collection of plural values and objectives held within the body. The actual or potential consequences of the action under consideration must be calculated for a diverse set of constituencies within the body, whose perception of the consequences will be shaped by differing experiences, status, needs, and interests. Thus, trade-offs and cost-benefit analyses cannot be made simply in terms of the external effects of the action; they must be negotiated internally as well. The members of the body will not be equal in their vulnerability to the negative consequences of action; they do not have equal accountability for institutional consequences of action; and they do not have identical authority or responsibility within the body.

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A few brief illustrations will illuminate the significance of these diversities as they affect the political process of decision in a corporate body. Women and members of racial-ethnic groups will generally feel a greater commitment to AAEEEO policies and plans than is felt generally by white male clergy. Corporate

executives may view the Nestle boycott as an ill-timed and counterproductive tactic in light of the potential effect. Mothers of small children are likely to have a different view of the seriousness of the problem of infant formula abuse. The consequences of the decision to move a manufacturing plant from one city to another will undoubtedly seem different to the Presbyterian pastor whose community is devastated and the Presbyterian corporate executive in a distant city under mandate to cut operating costs. And the trustees of the church's pension funds, with responsibility to manage those funds for the benefit of future retirees, may well have a different view of acceptable risk in investing those funds than church members not a part of the Pension Plan.

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On the surface, such differences might appear to paralyze a corporate body faced with the need to decide and act on any "controversial" matter. They do not, of course, because the body has agreed on some acceptable process for deciding and acting in the midst of its tensions and diversities. These "rules for making decisions" are one of the important structural elements in corporate ethical decision that differentiate it from individual decision. In a corporate body the "legitimacy" of any decision rests partly, sometimes heavily, on the issue of whether the decision was "properly" made. Were the rules known? Were they followed? Was the group making the decision authorized to do so? Were the politics and procedures open and fair? And so on. These are not necessarily nit-picking questions arising from people to whom process is more important than substance. They may well reflect a sense that in the necessary process of mediating conflicting interests and purposes within a pluralistic corporate body, procedural legitimacy is itself an important ethical issue.

II. *Investment: The Context for Consideration of Divestment*

A. *The Nature of Investment Funds*

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The corporate community known as the Presbyterian Church (U.S.A.) holds well over a billion dollars in invested funds. These are not an aspect of our life as an "institution" distinct from our life as a community of faith. They are in fact an embodiment of the community's life and commitment—past, present, and future. The funds are classified in the following general ways:

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1. Funds held by the pension boards, augmented continuously by payments, for the benefit of present and future retirees.

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2. Funds from bequests or gifts, past and present, the return from which is to support the program of the church. These funds are subject to designation by those who have given them:

—some are designated for the support of particular programs or institutions or specific areas of mission work;

—some are restricted as to the placement of the investment;

—some are given for "the work of the church" generally.

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3. Funds given to provide guaranteed annuities to persons or their heirs, with a specific beneficiary to receive the remainder after the annuity contract is fulfilled.

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Legally, the acceptance of all these funds creates a contract. Assurances are given; conditions are accepted; commitments are made. The terms of these contracts are specified and protected by civil law and the funds are managed by trustees, whose function is also prescribed and regulated by civil law as well as ecclesiastical authority. We will return shortly to the discussion of trusteeship and other factors in the administration of invested funds.

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Theologically, as we have noted, investment funds constitute a particular embodiment of the life and commitment of the community. They are an expression of community stewardship over time, through which resources possessed by individuals are given back to the continuing service of God's purposes. They are a sign and embodiment of the community's commitment to mission in the world, in both particular and general ways. They are a concrete guarantee of the community's covenant responsibility to those who have served it professionally.

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Investment funds are also a symbol of the historical faith of our particular community. Through investment activity we witness to ourselves and others that we are a living and continuing community, that worldly institutional forms and activities are carriers of spiritual reality, and that involvement with the engagement in the historical structure of the human political economy is valid and appropriate for our Reformed religious community.

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Finally, invested funds represent a unique corporate resource of power and influence. Investment brings a certain ownership stake in enterprises that have great significance for persons and for the social order. Investment automatically puts the corporate church in possession of defined access to those enterprises and of defined rights to influence their policies and activities. The exercise of such access and rights is part of the stewardship of the church—the commitment to use the power and influence given to it for God's purposes of justice and reconciliation in the world.

B. *The Dual Function of Investment*

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Investment holdings function in two different ways in relation to the church's objectives. First, they are a source of income for the support of the mission or institutional objectives of the church. Such a purpose clearly seeks maximum sustainable financial return and preservation of the capital base within generally ac-

cepted restraints (we should not knowingly invest directly in enterprises whose purposes are fundamentally inimical to the church's basic values, no matter how secure or profitable such investment might be).

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Second, investment holdings are in themselves a resource, an instrument for pursuing mission objectives of the church directly. As we have noted, investments represent a certain degree of power and influence; they bring access and rights with regard to other social institutions. So also selective placement of investment funds can support enterprises engaged in endeavors that the church finds especially worthy but which may not be particularly secure or profitable. The exercise of shareholder rights allows the church to seek changes in the policies and practices of the corporations in which it invests. And the decision to bar investment or to divest holdings not only witnesses to the clash between the values of the church and those of the listed corporations but can also influence the activities of those corporations, particularly when such actions are taken in concert with many other church or institutional investors. Thus, investments function through the intentional exercise of their power and influence to support the nonmonetary objectives of the church, as well as through the income they provide.

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There is clearly a potential for tension between these two functions of investment. The persons, purposes, or institutions that are the designated beneficiaries of the income from investments will almost invariably have a strong interest in the first function, maximum return, since it translates directly to increased pension apportionments or larger operating income for generally underfunded mission projects. Others may be more willing to sacrifice some monetary return in order to support directly an immediate mission objective, such as economic development among the poorest of the poor in the Third World or a minority community enterprise in the United States.

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Other points of tension can arise. The urgency of present witness and mission needs may conflict with future covenant commitments. Managers of pension fund investments, who must project and plan for meeting contractual commitments a half century or more away, are particularly and appropriately sensitive to this tension. There is also a potential for tension in the fact that needs change from time to time as do definitions of mission strategy. Bequests given and designations made must be honored, even if they provide large sums of money for needs that have become small while new needs have emerged for which no funds are available.

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In short, the management of the church's investments is neither simple nor tension-free, though obviously important. We turn now to a brief discussion of some of the factors that affect the administration of investment in and for the corporate church.

C. Factors in the Administration of the Church's Investments

1. Trusteeship

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The method for administering the investment activity of the church is known as trusteeship. Though those who function as trustees are elected by and accountable to the body they serve, their function and responsibilities are also defined by civil law, as we noted. They are thus accountable to the larger society for the exercise of their trust as well.

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The responsibility of trustees regarding the use of income from investment is determined by the terms of trust in each gift or bequest, not simply by decision of either the trustees or the institution they serve. It is their legal and institutional duty to see that all provisions are honored, whether they govern investment of principal or distribution of income. The trustees are guardians of the community's interests and agents of its objectives, but in a very particular way. Once the community accepts a bequest or gift for investment, it forfeits much of its future corporate control over it—the conditions and purposes are set for all time in theory, though the law allows for modifications under certain circumstances. So the trustee, in a very real sense, sometimes serves the community by standing against its occasional desires to alter contracts previously made. This particular exercise of trusteeship has been more prominent as the church has sought to implement social responsibility through investment activity and is misunderstood by some who feel that trustees should serve primarily to implement the contemporary objectives of the body. So trustees function within a particular tension: They are subject to external restraints (law and contract) but also to the internal expectations of the body they serve.

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It is important that we understand the full dimensions of this "guardian" function of trusteeship, however. It is not simply the assertion of external legal restraint against the objectives of the body. It serves a very significant internal function within the body as well. Trusteeship is a reminder to the church that the body is a continuing, living community. Those who have gone before and the bequests and commitments they have made are, in a very real sense, present and vital parts of the community. And those of us who are present members of the community are assured, through the community's trustees, that the commitments and bequests we make will be recognized and continued in the future life of the community. Just as the congregation's property does not fully belong only to those who now worship in it but also to those who have built and worshiped in the past and will build and worship in the future, so it is with the community's investments.

2. Structural Dynamics and Constraints in Investment Activity

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As trustees of congregations, church agencies, and

related organizations manage investment funds, they must make decisions within the same market dynamics that affect any other investor. All investments entail some degree of risk—economic cycles come and go; companies prosper and falter, sometimes through poor management or through changes in technology or demand; interest rates rise and fall; and industries or regions develop or decay. These variables and the search for an optimal combination of security and return lead to the following general strategic considerations.

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a. *Diversification*—Some funds will be invested in equity stocks, some in bonds, some in notes, some in real estate, etc. Within each class, the investments will be distributed among a number of sectors (manufacturing, utilities, communications, services, transportation, pharmaceuticals, retailers, etc.). And within each sector the investments will be distributed among a number of different companies and regions.

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Diversification is perhaps the most important element in investment strategy. Though the number of potential investments seems bewilderingly large, the investment manager is comforted by the diverse possibilities for spreading the risk. Any approach that intentionally narrows the investment universe, the number of options that can be considered in seeking diversification, thus leads to some anxiety.

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b. *Timing*—Conditions change as we have noted. Investment managers want to take advantage of those changes, to buy low and sell high, in the common parlance. Thus, liquidity, the ability to change from one form of investment to another quickly without loss, is important. Real estate may not be quickly convertible; cash is. Maturity is another important timing consideration. The purchase of a large number of 6 percent utility bonds that would mature in 40 years may have looked good in 1953; but if the principal was needed to pay pensions in the early 1980's when interest rates hit 20 percent, the timing was unfortunate.

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c. *Flexibility*—Just as there are a variety of investment objectives, so there are a variety of investment strategies. When a high and predictable level of income is needed immediately, bonds and certificates and stocks with a history of sustained dividend yield are attractive. When present income can be less in order to seek higher future values through capital appreciation, growth stocks are sought. Investment managers use these and other options in shifting patterns, attempting to match strategies with changing conditions and changing objectives. In the midst of sometimes rapidly changing circumstances, this requires the flexibility to take decisive and speedy action.

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d. *Constraints*—There are also internal limits on the possibilities for diversification, timing, and flexibility. Some of these are legal as we have noted. Some are specified by the terms of certain bequests, stipulating

that the funds must remain invested in the stock of a particular corporation. Some arise from the character of the community and its values (i.e. the long-standing barrier to investment in companies known principally for their activity in relation to gambling, tobacco, alcohol, or munitions). Some are self-imposed, the automatic consequence of chosen investment strategies, such as a decision that a certain amount of income must be available during the first six months of the year in order to meet cash flow needs. And some constraints arise from policy decisions of the church, such as the one proscribing investment in a number of corporations related to military production.

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3. Where Trustee Responsibility and Community Objectives Meet

The illustration just above indicates that trustee discretion in managing the invested funds of the church community may be influenced by policy decisions of the General Assembly.

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Trustees are primarily responsible for seeing that the capital sum of a gift or bequest is not intentionally diminished or liquidated (unless the terms of trust permit it) and that an acceptable level of income is maintained and used for the purposes specified. Even a directive of the General Assembly must recognize those responsibilities. The placement of investment, however—the choice of the specific companies or assets to be invested in—is discretionary, except in those relatively rare instances where placement is specified by the donor. Though placement choices are discretionary, they are not capricious. Investment managers seek to select particular investments whose combination of security and performance will keep risk within acceptable limits and contribute appropriately to overall portfolio objectives. This is, of course, a judgment about “investment quality.”

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In practice, investment managers seek an overall rate of return that is the average for all particular investments. Within the portfolio (the complete list of investments held at a particular time) some will perform better than anticipated, others worse. Some investments will be sold at a handsome gain, others will be disposed of at a loss. Some bonds will yield 14 percent, others 8 percent. And so on. “Adverse effect on the investment portfolio” does not mean that a particular stock yields less than another or performs below expectation. That is usual and expected. It means that a particular holding is so far from the average that it will lower the yield significantly.

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We have also noted that there are a very large number of potential investment placements, of which only a small percentage is ever actually held at a given time. And those that are held are constantly changing through the operation of the diversification, timing, and flexibility requirements. Thus, companies A, B, and C may be held; but as a matter of fact, companies X, Y, and Z might be just as appropriate to the investment strategy and just as consistent with the responsibility of the trustee.

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Thus, the church community might say, "We wish to purchase stock in P company because it is doing an outstanding job of hiring and promoting women and racial-ethnic minority persons." An examination reveals that P stock will not adversely affect investment performance. There is no reason for the trustees not to authorize the purchase. The same logic, of course, applies if the church community wishes to recommend that holdings in certain companies be barred or sold.

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It is on this frontier of placement choices that trustee responsibility and the nonmonetary larger objectives of the church meet. The frontier is not a clear line, since "investment quality" and "adverse effect" can never be precisely known in advance. In seeking such objectives, the larger church community cannot simply displace the trustee function. Neither can the trustee arbitrarily resist the efforts of the larger community to express its character and purposes in this aspect of its life. Such constraints on placement, then, should arise out of a common and cooperative search that evaluates each case and seeks those choices that are faithful to both trustee responsibility and community objectives.

4. Policy and Strategy for Administering Investments as Instruments of Mission

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For over a decade, the Presbyterian Church has had, through General Assembly action, definite policy and guidelines for fulfilling the second investment function described earlier—using their access and power directly to achieve nonmonetary objectives. The terms "social responsibility in investment" and "mission responsibility through investment" are used most often to describe these efforts. Briefly, General Assembly policy and guidelines assert that investment activity is not simply a means of securing money for mission but also constitutes a stewardship responsibility that the church can and should exercise appropriately in mission, seeking to further its objectives for a better social order. Instrumentalities in which investment managers join with mission managers were created to implement this approach.

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The following methods are available to the church in the administration of the mission responsibility through investment policy:

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a. Written inquiry and correspondence with companies in which stock is held.

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b. Face-to-face discussion with company managers and directors.

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c. Statements or questions in annual stockholder meetings.

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d. Shareholder resolutions seeking change in company policy or practice. The shareholder resolution has been the most visible church strategy for exercising mission responsibility through investment, though it invariably rests on a base of activity described in *a*, *b*,

and *c* just above. The shareholder resolution is clearly tied to ownership, whether of one or a million shares. The resolution implicitly values the fact of ownership and its guarantee of access into the decision-making process of a given firm. It acknowledges responsibility for the activity and governance of the enterprise and accepts a certain degree of identification with it. The resolution may seek to point the company in a new or more responsible direction; it may seek the reform or abandonment of particular policy or practice. In either case, the church stands within the corporation, engaged in a genuine effort at reforming participation in its internal affairs.

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Candor requires the acknowledgment that shareholder influence is generally restricted by the proxy machinery and the corporate ethos. The access of shareholders is regulated by the Securities and Exchange Commission, which in 1983 tightened the rules governing shareholder proposals. These rule changes will have a further restrictive effect on the ability of concerned shareholders to present their positions within corporations. In spite of this and the prescribed language of resolutions, by which shareholders can only "request" or "suggest," not "direct," the Board of Directors, the shareholder resolution continues to represent a vehicle of engagement and a potential, however small, for effecting corporate change.

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e. Legal action against companies in which stock is held.

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f. Intentional purchase of stock to support an enterprise or create a shareholder position for further action (*a* through *e* above).

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g. Exclusion of some classes of investment from consideration. For the purpose of this paper, exclusion means that investment in a certain class of enterprise will not be considered. The nature of the enterprise is judged to be fundamentally and irretrievably incompatible with the nature and purpose of the church, i.e., alcohol, tobacco, or nuclear warhead production.

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h. Proscription of purchase of specific stocks not already held. For purposes of this paper, proscription means that a stock that would otherwise be considered for investment will be avoided because of some particular policy or practice that could be remedied. The assumption behind proscription is that should the policy or practice be reformed, the proscription would be removed. In fact, proscription may well be adopted in the hope of speeding the remedy.

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i. Divestment of stocks held and proscription of future purchase.

III. *Divestment as an Ethical Strategy*

A. *Definition of Divestment*

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Divestment means that stock already held will be

disposed of because of social criteria considerations. Divestment may be undertaken for a variety of reasons. A company whose securities were originally chosen because of positive social return may become less attractive because of diminished efforts; company policy or practice may be judged so unjust or negative in social effect, and so impervious to change from within, that the church simply cannot hold it any longer. Divestment can be undertaken as part of a concerted effort to focus persuasion and pressure in the hope of producing changes. In any event, divestment is ordinarily contemplated only after persistent shareholder effort to persuade the company to change. A divestment action is, of course, then linked to proscription—further purchases will be avoided as long as the condition persists.

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Since stock is continuously being bought and sold, any act of selling could technically be called divestment. And since a great many stocks will be excluded from purchase consideration because of poor performance, high risk, and other investment quality judgments, they might technically be called proscribed. We use the term here to describe judgments that are made on the basis of nonmonetary objectives or motivations, however.

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For the purpose of this paper, then, *divestment* is a conscious decision to dispose of any current financial stake in an enterprise or class of enterprise because of policy or practice in regard to a social issue and to prohibit future stake so long as the offending situation holds. It is not appropriate to speak of "divestment" in relation to securities that would not be purchased or would have been sold anyway because they were illegal, inimical to the fundamental values of the investor, outside the chosen investment strategy, or because they failed the economic tests of risk or return.

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There is a clear similarity between the boycott and divestment with its subsequent proscription. Divestment can be seen as a "boycott" on investment rather than on products or services, and an investor can be seen as a "consumer" as well as part owner and beneficiary. The boycott is primarily a strategy for those "outside" a corporation who wish to affect it. Though it may be linked with other forms of persuasion (letters, dialogue, personal interventions, legal redress, demonstrations, etc.), the boycott does not involve an "inside" role in corporate decision-making. When agencies of the church determined not to convene meetings in states that had not passed the Equal Rights Amendment, for example, they put themselves outside the entities involved. Divestment, then, is an intentional decision to move "outside," into the location of the boycotter. After a decade of Presbyterian involvement in boycotts, the General Assembly Mission Council of the United Presbyterian Church prepared an analysis of boycott policy and strategy, which was received by the 191st General Assembly (1979). This analysis seems relevant in a consideration of divestment, thus, brief excerpts are cited here:

Consumer spending (or investment placement) is the result of free choice in our society. One can choose to buy or not to buy, to patronize one purveyor of services or another. The decisions often involve economic considerations, but sometimes involve moral judgments as well. "Trustworthiness," "reputation for integrity," "commitment to the community" will sometimes weigh more heavily than price alone.

In short, it seems "natural" to us that our consumer decisions should be shaped by our beliefs, should translate or be a "sign" of those beliefs in the world of commerce. Christians understand this in terms of stewardship, our responsibility to use possessions as witness to and in service of the Lord of the Church and the world.

For . . . Presbyterians, should the pursuit of social justice be one of the values or commitments to be pursued in concert and intentionally through recommendations for consumer boycotts or selective patronage? Tradition, faith, and polity all say "yes." "The promotion of social righteousness" is one of the great ends of the church . . . To exclude that value from the list of commitments that should shape economic decisions would be a selective severing of the tie between faith and action and would be theologically indefensible. (Parentheses added) (*Minutes*, UPCUSA, 1979, page 253.)

25.263

Finally, then, divestment and the refusal to purchase an ownership share in an enterprise can focus attention on the fundamental nature of the enterprise as well as its activity. Unlike the shareholder resolution, which implicitly accepts some identification of the company's basic interests with those of the church, divestment publicly repudiates that identification. The shareholder resolution argues for what is seen as the long-term best interest of "our company;" the divesting institution asserts that its own interests require disassociation from the company. The church in effect states "our nature and commitments are such that we can no longer be identified with you, even for purposes of attempted reform." As noted, this makes the character and purpose of the enterprise an issue. It also draws attention to the basic character and purpose of the divestor—the church. And that question of the nature of the divesting body leads directly to theological considerations.

B. *Theological Context for Divestment Consideration*

1. Stewardship

25.264

The church is, of course, a corporate body in society with a particular character. The basis on which it is formed arises from faith; it understands its activity and objectives with reference to values and ends for individuals and for society that arise from a transcendent power and purpose.

25.265

Presbyterians have defined their understanding of character and purpose in relation to action in the world—to social involvement—continually throughout their history in a number of different ways. A 1972 study on "The Church's Responsibility in Society: Biblical-Theological Foundation for Social Involvement" characterized the church in three ways: As a confessional body united to witness to God's reconciling love; as a Reformed body, sinful and yet working to transform itself and other sinful structures around it; and as a connective body, one church ordered in

and through representatives and united in its mission. That report discussed the biblical-theological theme of reconciliation, then recently restated in the Confession of 1967, which guided the church in its struggle to love God in the midst of idolatry and capitulation to the "principalities and powers" that rule our age. Taking the ministry of Jesus as providing both substance and shape to our own, the report concluded that in order to be faithful to the work of God in all of its grace and judgment, the church needs to act with both integrity and power. Its life and obedience are to provide example and symbol and are also meant to have effect. Faithful actions by the church will meet the suggested criteria of appropriateness, timeliness or urgency, balance, and manageability.

25.266

In the area of investments, as in all other areas of its mission and life, the church has understood that faithfulness demands that investments must reflect moral imperatives and the fundamental commitments of the church. Thus it is that the specific concern for the church's mission responsibility through investment is termed "a matter of stewardship" in the basic theological rationale. The church's stewardship of its investments involves a concern both for their financial value and for their witness value, or their importance as a sign of what the church stands for, what the church participates in, and what the church can do to advance the area of God's rule in the world.

2. Vocation in the World—Societal Engagement and Transformation

25.267

One of the key themes of stewardship in the Presbyterian tradition has been commitment to participation in the world. God calls believers and the church to a vocation of service within the orders and structures of the common life. This vocation of service includes two distinctive but normally complementary emphases: faithfulness, which is clear witness to the values derived from faith; and effectiveness, which is the concrete realization of desired ends. In many instances, the two work together. They often, however, seem to be in tension and are even seen by some to be alternatives. Effectiveness, "getting things done," in an ambiguous world involves compromise and settling for the attainable rather than the ideal. Most Presbyterians will agree that the search for the better is a mark of faithfulness and also that clear and unambiguous witness, the refusal to settle for what seems attainable, is often effective. Thus, the two are seen as two dimensions of a single commitment—receiving different emphasis on different occasions.

25.268

The tension is sometimes described as between purity and pragmatism, though these terms should not be understood as synonyms for faithfulness and effectiveness. The purity-pragmatism tension signals a new set of theological questions: essentially those of "separation from the world" and "participation in the world." Though the issues are complex, they reflect

two different faith poles. One is the conviction that the world is dominated by sin and that engagement with its life therefore inevitably means compromise with sin (living by its "pragmatic" code), which Christians must seek to avoid, since they are called to purity. The second is reflected in the Reformed tradition, which acknowledges the pervasiveness of sin in the world, yet sees the world as ultimately under the more powerful domination of God's purpose. The vocation to serve God is the realization that final purpose is more powerful than the search for purity:

25.269

Thus purity seeks perfection. Following a clear strand of biblical testimony, it seeks to "come out from among them and be separate," "to keep pure and unspotted from the world," to "be therefore perfect as your heavenly Father is perfect." This approach has powerful appeal, particularly given the mandate to model in the world a community in covenant with God.

25.270

Presbyterians appreciate these paired motifs of perfection and separation. But they also have appreciation of the flawed character of life in history that makes it impossible to be perfect in a sinful world—even in the church. Looking to equally powerful themes of biblical testimony—"let justice roll down like waters," "inasmuch as you did it to one of the least of these," "I have come to proclaim release to the captives"—they have a lively sense of calling that mandates participation in sinful structures to seek their reformation.

25.271

Perfection and separation, while important, are not the final measure. They must be held in tension with faithfulness and effectiveness, which may involve compromise for the gaining of some important proximate goal. Thus, Reformed churches have sought to be in the world, not withdrawn from it—to serve the perfect purpose of God in less than perfect structures in order to change them, not to live apart in communities of holiness. The church as a community has not sought isolation but engagement.

25.272

The tension between engagement and withdrawal, between pragmatism and purity, is a very important one in any consideration of divestment and merits further analysis. Jack Stotts, President of McCormick Theological Seminary, has described these differences in commenting on the Presbyterian approach to investment responsibility, using the common sociological terminology of "church" and "sect" types:

In our case, this church is a social type that is engaged with the world, embraces engagement with the world in fact, and expects to shape the public order for well being and well doing within the world, as well as to shape the church itself. It expects to be intimately engaged with politics, economics and social life, and knows that involvement with sin will be necessary. Sin is seen as being evenly distributed, both in the church and in society. The church will be involved in legitimating, in judging, in shaping In contrast, a sect type of church organization withdraws from the world, lays absolute claims on its members or sees the gospel as laying

absolute claims and sees the gospel as something that can be absolutely followed. The historic Peace Churches and the communal religious communities in America are examples of sect type organizations. The world is seen as passing away, and these are forms of a pure church or body of believers.

25.273

Dr. Stotts goes on to distinguish between the two types of ethics that follow from the church-sect distinction. In terms that come from Max Weber, these are an "ethic of responsibility" and an "ethic of purity." The first is an ethic that acknowledges the need for compromise to work with the less-than perfect and to seek limited objectives. In a sense it is a utilitarian ethic, though one that acknowledges boundaries—the points beyond which further effort is futile, counterproductive, or morally inappropriate.

25.274

The second of these ethics emphasizes the need for purity rather than compromise, faithfulness rather than effectiveness, witness rather than results. The church, in this view, should not participate in evil and is not responsible for trying to make things come out right.

25.275

While churches in the Reformed tradition are of the "church" type, practicing an ethic of responsibility in worldly engagement, both theology and practice recognize that pragmatic engagement has limits. In some instances, a strong witness is called for and nonparticipation is justified as a particular form of engagement. We have marked certain areas as off-limits for investment, not because we thereby presume to establish or attain purity but because we believe the enterprises are fundamentally at odds with our values. Though we may hope that our witness and disapproval have some effect, such actions are not taken primarily because of hope for reform in the enterprise. We may also be acknowledging tacitly that stockholder status would not bring us any realistic opportunity for reform.

25.276

The issues of witness and effect are clearly highlighted in the question of potential divestment in regard to South Africa. The official policy of apartheid is fundamentally offensive to a Christian undertaking of life and society. Apartheid is the political and social manifestation of a theological heresy—a direct defiance of God's will for both human and social existence. The economic strength controlled by the white minority is a major element of its continued dominance, and the activity of corporations in which the Presbyterian Church invests contributes to that strength. The church has tried for many years to effect change in the policies and practices of those corporations in efforts to produce change in South Africa, but the efforts have been largely ineffective. Do we divest as a witness that we can no longer justify participation where change is hopeless? Do we merely transfer the burden of our ownership to someone else, at no cost to ourselves? Would divestment, if taken in concert with others, have any effect on the corporations? Would it weaken the sinful power of the South African government? The search for responsible faithfulness in such a situation surely calls for careful conscious consideration by the body.

25.277

It has been the Reformed church's bias toward pragmatic involvement with the world that has allowed it to be an investor in the first place, and then for it to attempt responsible investment. This commitment insists that matters of the church's life as a community of believers are matters of justice for the world. The identity of the church is defined as mission—participation that is determined to establish community based on God's justice. The theology of mission extends the concept of stewardship into society and insists that investments be used with full intentionality as a means of engagement in a larger context than any given firm. Thus, while some definitions of relatedness and community would value staying in a given firm and continuing to influence it positively, the church insists that its participation enhance the life of the larger community as well. The continuity, or the linkage between the two, must be not mere relatedness, but *just* relatedness. And the church's investment in justice may mean divestment from a given firm, from a given community.

25.278

The identity of the church is found in its commitment to faithful life and action, in investments as in other areas of its life. Divestment from a particular enterprise thus can be a means of effective participation and witness in the larger social enterprise of justice. By refusing to be a shareholder in an enterprise whose effect is negative to justice, the church may be acting to increase responsibility in economic life. At certain times, divestment may be an action of transforming effectiveness, and at those times the church must be free to act with both integrity and realism.

25.279

How can we know when the limits of engagement with a particular institution have been reached and faithful stewardship to a larger witness requires withdrawal? Where is the point at which further effort toward pragmatic reform becomes evasion of the call to unambiguous witness? There is no axiom or formula that will automatically yield the counsel of the Holy Spirit on this central question. We know simply that there is such a limit, such a point, that pragmatism must sometimes yield to purity and engagement to withdrawal. As the church is called from time to time to determine whether the point has been reached—relying on the knowledge and prayer of the community and the guidance of God—we would do well to confess that such decisions are particularly difficult for a people so passionately committed to pragmatic engagement.

3. The Ecumenical Context of the Church's Life and Action

25.280

The Presbyterian Church does not understand its community life as complete and contained within its own structures and membership. It knows itself to be an organic piece of a larger community—the ecumenical Christian church. That relationship is not mechanical, or as one member of a set of similar units, but is understood theologically as our essential nature,

vital and substantive. As part of that body, the Presbyterian Church exists not only in the world community, but for it. Insofar as we are true to such understanding, every aspect of life and activity has its source and echo in the world Christian church; every aspect of life and activity is measured by its meaning and purpose in the larger human community.

25.281

We are thus accountable not only to the Lord of the church but also in a very real way to the varied members of the *oikos*—the household of faith and the communities of the world. What they intend and need and hope for should be heard and considered as we discuss the motivation and intended consequences of our life and witness. The meaning of justice and reconciliation and the relationship of our life and action to their realization in history must finally be both defined and validated for us through the substantive participation of others. This larger community context of decision and accountability is a fundamental theological dimension of our self-understanding.

25.282

This theological understanding has dual relevance as we consider any investment-related issue. First, we recognize that the majority of churches in the world Christian community do not hold significant financial endowment and investments as we do. In many cases, poverty prevents such personal and institutional stewardship; in others, different investment vehicles are used. We have a special responsibility to manage this particular resource of the world Christian community on behalf of the whole. Second, the large economic institutions of this nation have great impact on the nations and peoples among whom these churches live and witness. Our witness and strategy toward these institutions, in engagement or disengagement, has enormous import for Christian sisters and brothers around the world. Part of the one body of Christ with them, we must somehow in such cases provide access and advocacy for their voices.

25.283

This theological understanding of ecumenical participation and accountability is not currently translated into structure and procedure. The voices and votes of the "others" of the community are not heard and cast in our debates and decisions unless we make conscious provision for their inclusion. Thus, the definition of the full community within which standing to participate is granted and consequences must be calculated is an essential aspect of divestment-investment decisions. Who must be heard and counted and whose benefit and harm must be considered?

4. The Broader Trusteeship

25.284

In response to those questions, the church will recognize a community that is extended not only in space, throughout the world, but also in time, an accountability to those who have gone before and will come after. The corporate body must act as trustee and advocate for those whose voices otherwise would not be heard and whose interests otherwise would not be counted.

25.285

So finally, the concept of trusteeship as earlier discussed applies to the church as a community even more significantly than it does to the designated body within the community. The church is accountable to God for the terms of trust conveyed in the gift of the gospel and the mission of reconciliation and justice that is accepted with it. It is accountable also to the world and its people for faithful discharge of that trust. This broader trusteeship, in effect, defines the basic theological framework for divestment consideration as indeed it does for all decisions in the church. It controls and grounds all our limited trusteeships, which must be both exercised and judged by fidelity to its covenant terms.

IV. Institutional and Practical Factors in Divestment Consideration

A. Precedents

1. So-called sin stocks

25.286

Though divestment and proscription are unusual actions, they are not unprecedented. The earliest and most enduring experience of the Presbyterian Church is the traditional bar to investment in tobacco, liquor, and gambling stocks by the investing agencies of one or both of the predecessor denominations of the Presbyterian Church (U.S.A.). The barrier seems to have been erected in the days of the temperance and moral welfare movement. We do not have any way to assess the discussion that may have taken place as the decisions were made. We do not know if the initial application may have also required divestment, though it is clear that earlier attitudes and practices in the church regarding alcohol had been more accepting. It seems probable that a combination of concern to avoid participation in evil and a desire to present a clear witness of the church's nature and character as they came to be identified with abstinence were basic to the original motivation. However, early General Assembly actions about patronage of Sunday movies and Sunday papers indicate a conviction that such action could have practical effect as well.

2. Mine Safety

25.287

The strategy of divestment was employed by the United Presbyterian Church in relation to a specific corporation in the mid-1970's. After a mining disaster at the Brookside mine in Kentucky in 1974, where eighty-nine men were killed in a mine with a history of poor safety measures, a national campaign was begun to force the mine owner, the Duke Power Company, to improve working conditions. In light of the poor safety record and in conjunction with the actions of many other investor bodies, the church divested its holdings in Duke Power and pledged "to refrain from purchasing any Duke Power stock or bonds until the miners at Brookside are protected by an adequate contract." This was the first divestment action taken in the context of the formal mission responsibility through investment policy and the rationale was exclusively effect-oriented. By joining with others in highly

publicized divestment action, the church sought to draw attention to the record of Duke Power's practices and exert pressure to change them.

3. Military-Related Production

25.288

The 1971 guidelines for mission responsibility through investment adopted by the United Presbyterian General Assembly included an admonition to "be especially critical of enterprises that use the political process to support increased military spending" as well as those that produce "weaponry whose use does not permit a distinction between civilian and combatant." Implementing agencies were requested to "look for ways to foster in the economy generally and in individual companies a reduction from the present level of war production." (*Minutes, UPCUSA, 1971, Part I, pp. 599-600.*)

25.289

The possibility of divestment in relation to military-related investments was first raised the next year, 1972, when the Committee on Social Responsibility in Investment reviewed a series of proposals concerning the role of firms contracting with the Department of Defense during the Vietnam War. The committee commented that the production of indiscriminate weapons should be challenged and went on to suggest that if an investment committee was not supporting certain resolutions or taking action itself "then it must give serious consideration to the question of divestment."

25.290

That "serious consideration" became a reality ten years later when, in response to the 1980 Call to Peacemaking and at the recommendation of the General Assembly Mission Council and its Committee on Mission Responsibility Through Investment, the 194th General Assembly (1982) of the United Presbyterian Church adopted a divestment and proscription recommendation on military-related investment. The action proposed a precise formula for identifying the companies most heavily involved in military production by total dollar volume and as a percentage of sales and those directly involved in nuclear warhead production. Just over twenty corporations were thus listed.

25.291

While no criteria for considering divestment were in existence at that time, it is interesting to note that most of the criteria as recommended in the next section would have been met: The formula was precise, permitting the investment effect to be assessed and the implementation to be clear and consistent; investing agencies were able to assess investment effect in a period of trial application; and the recommendation was debated and approved by General Assembly with advance notice.

25.292

The rationale for the divestment action combined the categories of witness and effect. By drawing attention to the issues of the enormous scale of military production, the distortion it introduces in the economy, and the danger of the escalating nuclear arms race, the church hopes to persuade its members and others to support change in the governmental poli-

cies that result in these things.

4. South Africa

25.293

As in the case of military-related production, the issue of divestment in relation to South Africa was first broached a number of years ago. A 1965 statement on apartheid by the 177th General Assembly of the United Presbyterian Church:

recognize[d] that American economic involvement, both governmental and private, has been a significant factor in the stability of the South African economy and therefore in the support of the present apartheid regime; and direct[ed] the Commission on Religion and Race to convene a group of United Presbyterian business [people] and bankers to consider the moral implications of economic relationships with South Africa. (*Minutes, UPCUSA, 1965, Part I, p. 405.*)

25.294

Two years later, the 179th General Assembly (1967) considered the report of the consultation, which outlined a number of ways in which U.S. businesses and banks might help change the situation in South Africa, including withdrawal from involvement there. The General Assembly action goes on to say:

On the other hand, if firms cannot be persuaded to cooperate, we urge The United Presbyterian Church in the United States of America and individual investors to protest by beginning to divest themselves of their holdings in such business enterprises. (*Minutes, UPCUSA, 1967, Part I, p. 329.*)

25.295

This direction was strongly affirmed by the 181st General Assembly (1969), and the 190th Assembly (1978) continued to press for the placement of investments and accounts in financial institutions whose policies precluded further loans to the government of South Africa and any of its agencies. Twenty-six of the fifty-five shareholder resolutions filed by the United Presbyterian Church from 1974-1982 dealt with South Africa and Namibia.

25.296

While a limited number of universities, churches, and other groups have divested of all or part of their holdings in U.S. firms doing business in or with South Africa, and an even smaller number of U.S. firms have left South Africa, the shareholder resolution strategy has contributed to some improvement in wages and working conditions at U.S.-owned factories, a curtailment of bank loans to the government and sales of products to the South African police and military, and policies of nonexpansion in a number of key industries. These resolutions and other public pressures have also contributed to changes in domestic public policy regarding exports to South Africa. At the same time, however, according to the 193rd General Assembly (1981), the South African white regime has increased its control over the lives of all its citizens and low-level warfare and sabotage have begun within the borders of South Africa itself.

25.297

Out of this history and context, the specific proposal to consider South Africa divestment arose, fifteen years after the possibility was first raised. The church has persistently tried other alternatives. They have had limited effectiveness and offer little hope for future usefulness. The issues posed by South African apar-

theid are fundamental and the need for change persists and deepens. The General Assembly has asked for consideration of action of a more serious nature.

B. Investment Management Issues

25.298

Though divestment is a potential strategic option for the church in the stewardship of its investments, it obviously does not follow that any particular proposal that may be made is institutionally responsible, pragmatically effective, or theologically and ethically consistent. Each must be analyzed and decided in relation to the potential effects, institutional and social; the issue to which the proposed action is connected; and the terms of a particular divestment proposal. In doing so, the responsibility of those who manage the church's investments and will have to implement the proposal must be kept in mind. In addition to the general considerations involved in trusteeship, discussed earlier, two issues involved in the practical implementation of divestment merit brief discussion.

25.299

1. The Problem of Precision—The universe of corporate activity is not only quite large, it is also quite complex. Corporations have licensing agreements with other corporations. They subcontract with other corporations for materials and services. The conglomerate phenomenon has resulted in corporations holding ownership interest in other corporations ranging from partial to complete control of substantial interest.

25.300

The number and identity of the corporations involved in a potential divestment will obviously depend upon the definition of the degree of relatedness between a corporation and the particular issue under consideration, be it "business in South Africa" or otherwise. It is impossible to evaluate the potential effect of divestment or investment strategy or to design effective implementation without such a definition. Given the complex world of corporate interaction, the precise definition will often act to limit the potential application by criteria that can seem arbitrary. It is important, therefore, for purposes of interpretation, that the proposed formula for any divestment action not only be precise but supported by a well-considered and thoroughly explicated rationale.

25.301

2. The Compounding Limit Effect—The strategic need for diversification and flexibility in the day-to-day management of the investment portfolio has been discussed earlier. As was pointed out, some intentional limitations on the universe of possible investment options can be, and in fact have been, adopted without seriously affecting the potential for diversification and flexibility, since the number of "good" options is quite large.

25.302

It should be noted, however, that every limitation subsequent to an initial one has a compounded effect, since the overall number from which choice is made has already been reduced. Obviously, at some point,

the pool of investment possibilities could become so restricted that the practical possibilities for diversification and flexibility would all but disappear. The compounding effect in practice operates in another way. While the universe of potential investments is quite large, a great many are ruled out at any given time on "quality" considerations. Thus, the universe of potentially desirable investments is always considerably smaller than that of possible investments. Since divestment affects this smaller number, insofar as securities already held have been judged "desirable," the compounding effect of successive limitations is even more dramatic. While this effect does not rule out the feasibility of the divestment strategy per se, it poses significant questions about the frequency with which it can be used and the breadth of definition of any particular proposal (how many securities will be affected each time.)

C. Questions of Consequences

25.303

In addition to the general issues of means, ends, and effects that surround any ethical decision, there are some that seem particular to the dynamics of investment-divestment.

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In the first place, divestment can be called a "one-stone slingshot" in that, as we have noted, its use deprives the church of further access and engagement with the corporate entities involved from its stockholder-owner base. While pressure from outside can be more effective than reform efforts from inside, it certainly is not automatically so. The divestment "stone," once hurled at the corporate Goliath, cannot be effectively recalled if it misses the mark. What if the divestment has no lasting impact on the corporation and is indeed covertly welcomed by a management that has one less dissenting shareholder? That previous shareholder efforts at change have not worked may not be reason to move to less effective measures, even if the church's integrity is strengthened. Therefore, insofar as the motivation for divestment is effect more than symbol, the ethical debate over the relative potential of the "insider" vs. "outsider" location must be a very serious one.

25.305

A second factor inevitably influences the discussion noted just above: the "drop in the bucket" issue. Since the securities of the corporation involved are publicly traded, there must always be a willing buyer before the church can divest. Thus, the direct economic effect of divestment on a corporation is usually nil, though indirect economic effect is certainly possible. It is true that the sudden presence of more sellers than buyers may depress the market price, so that a concerted divestment strategy embraced by a group of investors could conceivably have market price impact. Even so, that lower market price would not exert economic pressure on the corporation either. The economic losers would, in fact, be the divesters; the company would likely benefit (it could repurchase shares at an artificially depressed price). Divestment carries with it the possibili-

ty and, if applied to enough corporations, the probability that investment return will be diminished. But given the very large number of shares publicly held in most corporations potentially affected by any divestment formula, it is unlikely that any "divestment consortium" could ever weaken the corporation itself by purely economic means—their holdings would still be a drop in the bucket.

25.306

Thus, again insofar as a desire to affect the policy and behavior of corporations may be the motivation for a divestment proposal, the potential influence almost invariably has to be calculated on other than direct economic effect grounds. Such potential grounds are real (public opinion, etc.) but are always more difficult to calculate and sometimes more difficult to interpret. In such calculations, we must not neglect the potential effect of the witness and action of church members whose understanding and commitment may be deepened by the corporate witness of the church.

25.307

A third set of consequence issues related to divestment arise when the desired change in corporate policy and practice is itself seen as instrumental to change in the larger social context. These issues could be described as the "murky symbol" or "ambiguous link" syndrome, which has several dimensions. One has been noted above: It is sometimes difficult to explain how divestment of access and power (however minimal and ineffective these may often appear to be) is a better means to the end of corporate change sought than the continued use of the seemingly more direct means already available.

25.308

Another dimension of divestment affects its interpretation and meaning. Given the focus on the firm as well as the issue involved, and the number of issues that may be raised by a diversified transnational corporation, divestment may seem imprecise to the point of being misleading. How big is the issue in relation to the corporation? Is the divestment a general repudiation more than a specific effort at reform? Though these are obviously important ethical questions, there is no ready way to determine their answers in an objective way. Power and influence flow in society and its institutions in varied and complex patterns—some direct and easily visible and some indirect and invisible. A single bribe to a Third World government, for instance, may mean little on a corporate balance sheet, but may yield enormous power on that country and may reveal a corporation's basic orientation in overseas negotiations. But would divestment make that clear?

25.309

These same considerations about power and influence apply when the divestment action is meant to have effect on institutions external to the particular corporations. An example from the church's experience with boycotts will illustrate this point. When agencies of the church voted to hold no meetings in states that had not ratified the Equal Rights

Amendment, the effect hoped for was that the hotel, restaurants, Chambers of Commerce, etc. would exert influence on the legislatures of those states to approve the amendment. Possible divestment in relation to South Africa is proposed by many on the basis that it will hasten the end of the official governmental policy and practice of apartheid. In the assessment of the potential effectiveness of such a strategy, two issues are significant: (1) how divestment does or does not influence the corporation to make the desired change and (2) how the corporate change is realistically related to the possibility of change in the structurally independent government or institution. Business corporations protest that they have no authority in relation to legislatures and foreign governments. Given the true dynamics of power in society this is rarely the case, but the absence of direct cause and effect relationship makes the ethical and pragmatic calculations more complex and more difficult to interpret to those who instinctively seek direct means-ends patterns.

25.310

A fourth set of consequential considerations can be called "the family fallout." Quite simply, a divestment decision will invariably affect corporations in which Presbyterians have direct participation—as managers or workers or shareholders. The divestment decision, as we have noted, carries an implicit judgment on the affected corporations: Their operations are not only deemed to be at basic variance with the values and objectives of the church but also beyond the reach of normal shareholder initiatives. These judgments are very often not shared by Presbyterians in the corporate structures affected and sometimes are actively opposed. These Presbyterians will often feel that the church's judgment on the corporation is a personal judgment on their vocational involvement with the corporation. While it is true that such challenge is a part of being and belonging in the community of faith, the church will need to consider both the potential for internal conflict and the time and resources that will be needed for internal interpretation in its calculation of the consequences of any divestment decision.

25.311

The church should anticipate the need and plan for special assistance to the members and ministers who are confused and offended by a divestment decision and the pastors and presbyteries that minister to them. This is not a matter of interpretation and defense to critics; it is a matter of pastoral integrity. The pastoral opportunity is not only a "cost" in the calculation of consequences; it is a "benefit" as well. The occasion for struggling together over the issues of faith and witness very often leads to deeper understanding and commitment.

Appendix A

[For Assembly action, see pages 58, 59.]

INTERIM STATEMENT THE COMMITTEE ON MISSION RESPONSIBILITY THROUGH INVESTMENT OCTOBER 1983

I. Introduction

25.312

The Committee on Mission Responsibility Through Investment (MRTI) (New York) was established by the General Assembly Mission Council (GAMC) of the former United Presbyterian Church to be the focal point for implementing the General Assembly (UPCUSA) policies on the use of invested funds as an instrument of mission. Similarly, the Committee on Mission Responsibility Through Investment (Atlanta) was established by the General Assembly Mission Board (GAMB) of the former Presbyterian Church, U.S., to implement the General Assembly (PCUS) policies on the use of invested funds as an instrument of mission. The two committees are continued in the Presbyterian Church (U.S.A.) pending the establishment of a permanent mechanism for discharging the reunited church's responsibilities for mission through investments.

25.313

Both committees have affirmed their commitment to work together as the Committee on Mission Responsibility Through Investment (MRTI) for the Presbyterian Church (U.S.A.) and to function as one committee to the fullest possible extent and in accordance with this Interim Statement on Policy and Procedure. In this undertaking, the MRTI Committee recognizes that the separate committees were established from essentially the same mission concerns regarding investment responsibility but had different procedures by which they operated. The similarity in origin of the separate committees, together with their commitment to essentially similar understandings of the mission responsibility of the Presbyterian Church (U.S.A.) through its investments, permits and encourages the concept of one MRTI Committee expressed in this Interim Statement, subject to any separate procedures of the MRTI (New York) and MRTI (Atlanta) Committees where still required.

II: Church's Policies Regarding Investments**25.314**

In 1971 the 183rd General Assembly (UPCUSA) adopted "Investment Policy Guidelines," a comprehensive policy on corporate responsibility describing the use of investments to further the church's mission. Subsequent General Assemblies adopted supplementary statements.

25.315

In 1976 the 116th General Assembly (PCUS) adopted "Investment Policy and Guidelines," providing a statement of the church's social responsibility for the use of its investments.

25.316

The policy statements of the former General Assemblies (UPCUSA) and (PCUS) express a common commitment to mission through use of the church's investments. As such, these statements will serve to guide the MRTI Committee until such time as the General Assembly of the Presbyterian Church (U.S.A.) may adopt its own policy statements.

(This statement was followed by a chart summarizing and harmonizing the operating policies of both constituent MRTI Committees which is available from the New York and Atlanta offices.)