MASSACHUSETTS' DIVESTMENT BILL:

A BRIEF HISTORY

by MassDivest

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The Massachusetts pension fund divestment legislation which passed on January 4, 1983 has a history which starts at least as far back as 1973. State Representative Mel King, a leading member of the Black Caucus, introduced a measure which would have prohibited use of State facilities such as ports by ships carrying Rhodesian cargo. Several activists who eventually worked on the divestment campaign picketed the East Boston pier with Rep. King and others when a ship was off-loading Rhodesian cargo in that year. In the mid-1970's, several Massachusetts colleges and universities, including the University of Massachusetts and Hampshire College, divested their endowment portfolios of stocks in South Africa-related companies. Rep. King held further hearings on the Massachusetts-South Africa connections.

In the late 1970's, after the Soweto uprising and the assassination of Steve Biko in South Africa, the Boston Coalition for the Liberation of Southern Africa (BCLSA) organized a boycott of the First National Bank of Boston because of its policy of loaning money to the South African government and parastatal organizations. In 1979, Senator Jack Backman filed legislation to get State pension funds out of companies in South Africa; that same year State Banking Commissioner Carol Greenwald voted the pension fund's shares of First National Bank of Boston stocks in favor of a stockholders' resolution calling on the Bank to stop loaning money to the South African government.

The divestment legislation went nowhere in 1979, although language was inserted into the State Budget by Rep. King which required that no new investments of the State pension funds could be made in U.S. companies that were in South Africa (Senator Backman had gotten complete divestment language in the Senate Ways and Means budget, but it was not sustained). Also, in 1979, a Pension Fund Task Force, organized by a State agency and made up of public employee and teacher representatives, BCLSA members and others, issued a Report on alternative investments for pension money which would directly help the Massachusetts economy. This Report was covered in the Boston Globe and the article focused on the fact that more pension money was in South Africa-related investments than in Massachusetts.

The victory of the prospective ban in 1979 encouraged Rep. Mel King and State Senator Jack Backman to press for full divestment in 1980. The legislative effort failed, however, despite lobbying by a few community groups, a lengthy series on divestment in the Boston Globe and an address to the State Senate by the Projects Director of the American Committee on Africa. Backman and King agreed that a broader coalition was necessary for victory, so, in late 1980, they called a meeting of interested organizations such as the BCLSA, the Black Ecumenical Commission, public employee unions and the African National Congress of South Africa (ANC) to spearhead the formation of MassDivest. In early 1981, this group held a series of organizational meetings, attended by over fifty people with a wide range of constituencies and interests. The general plan of outreach to unions, churches, community organizations and the general public was developed in these meetings and several members worked to produce a brochure and slide show; these outreach materials focused on conditions in South Africa and the Massachusetts and U.S. connections to the apartheid regime.

Over the next two years, the Massachusetts Coalition for Divestment from South Africa (MassDivest) built a statewide network which sponsored educational events, gathered a wide range of endorsements, got people to contact individual Legislators, testified at public hearings at the State
House, and got union locals to pass resolutions in favor of divestment. After two years of work, MassDivest and the Legislative sponsors of the divestment bill achieved a spectacular success when the State Senate and House both voted overwhelmingly to override Governor Edward King's veto and enacted the strongest statewide pension fund divestment legislation in the U.S. to date. The story of the campaign can serve as a useful case example for other groups working on similar legislation in other States.

Why Divestment?

One of the first political decisions that was made was to push for divestment rather than simply using stockholders' leverage in proxy votes at individual company annual meetings. The purpose of divestment, obviously, is to pressure companies and banks to withdraw from South Africa; it says to the company, "we're taking our pension money out of your operations as long as you continue to do business in South Africa." It leaves no room for compromise, partial steps, "constructive engagement" or other subterfuges. It responds directly to the call from major exiled South African leaders for total isolation and withdrawal of support for the apartheid regime. MassDivest and the legislative sponsors of the bill were very clear on their choice from the start: Total divestment was the goal. By taking this stand, the bill's backers hoped to send the strongest possible message both to the U.S. companies being divested and to the people in South Africa that they wanted their pension money out of any investment that could directly or indirectly support apartheid.

Late in 1982, Governor Edward King's staff proposed as an amendment to exempt from divestment those companies rated high in implementing the Sullivan Principles. The Black Caucus and several MassDivest and TransAfrica members recognized that this would so weaken the bill as to lose its significance. The amendment was similar to one attached to the Connecticut legislation, possibly as a result of lobbying by Ford Motor Company and a representative of the South African Consulate, both of which were active late in 1982. The American Committee on Africa forwarded a 1982 South African newspaper article summarizing Ford South African workers' feelings on the effect of the Sullivan Principles on their working lives. The article reinforced the opinion that the Principles were a sham and diverted attention from the real problems facing Black South Africans, whether they worked at U.S. companies which were signatories or not.

In the final analysis, MassDivest stayed with the position that made the clearest possible statement. It avoided the inevitable arguments about which proxies to vote, which companies were or were not "making progress" in South Africa (as the Arthur D. Little report on the Sullivan Principles puts it), and it resulted in the strongest divestment bill to date.

Resources

Getting the MassDivest organization to function, with a meeting place at the State House, brochures, a slide show, stamps for mailings about meetings and upcoming events, and the like, required resources. Very early in 1981, a grant application was submitted and funds were awarded by the
Haymarket Peoples Fund in Boston. Mobilization for Survival, a broad anti-nuclear organization, offered its office as a mailing address and phone for receiving mail and messages. Full MassDivest meetings were held at the State House in a room reserved by Rep. King, and committee meetings were held in individual’s houses, for the most part. The slide show was put together and donated to MassDivest by BCLSA, using slides from other slide presentations it had made. Likewise, political polls of Representatives and Senators, or candidates for office, were done by Citizens for Participation in Political Action (CPPax, a liberal political network in Massachusetts) as part of their annual surveys on a range of issues.

But the most valuable resources of all were the political experience and backgrounds of the active MassDivest members. While many organizations and individuals endorsed the legislation, this often meant simply having their names on a list or making an occasional phone call or writing a letter at a critical time. Active MassDivest members, on the other hand, attended regular meetings at the State House, sub-committee meetings (Outreach, Lobbying, Resources and Media were the functioning sub-committees for most of the two years), and did lobbying and networking over and over during the period of the campaign. The total in monetary resources for the two years was approximately $4,000, all of which went to producing literature, mailings and publicizing public events. The amount of volunteer labor, phone calls and mailings by other organizations is impossible to calculate, but it was in excess of five full-time people for each of the two years.

Organizing Endorsers

Very early on in the history of MassDivest, outreach began to organizations which had endorsed Southern Africa solidarity activities in the Boston, New Bedford and Springfield areas. The bulk of these organizations had been contacted by the BCLSA to endorse its campaign to boycott First National Bank of Boston, so the groundwork had already been laid. Examples of such organizations include African Liberation Support Committee, Church of the Covenant, City Life (a community organization focusing on tenants issues), Third World Jobs Clearinghouse, Service Employees International Union Local 285, and United Steelworkers Locals in the Boston area.

Several of these organizations had long been active in Black community issues and with U.S.-South African relations. These were the earliest endorsers of the MassDivest campaign and the Legislation filed in 1981 as S.1138.

After about three months, a slide show and brochure were produced and approved by the people attending MassDivest meetings for use in outreach. Much of the material was pulled from other slide shows or fact sheets that had been done by member organizations. The method used to get endorsements from additional organizations was, in general, to send a MassDivest member or two to a meeting, answer questions about the bill and what kind of lobbying was necessary, and then call back later for a verbal or written endorsement. The list of endorsers was kept and updated by the Outreach Committee; it eventually contained over a hundred individuals and organizations.

Endorsers ranged from churches and unions, to Human Rights committees,
community organizations, Community College faculties, and Liberation Movement organizations such as the ANC Boston Branch and the Black Consciousness Movement (Azania) Boston Branch. Intensive work was needed to get the endorsement and active participation of the most powerful supporters of the bill - the Mass. Teachers Association, the American Federation of State County and Municipal Employees (AFSCME) Council 93, and the Catholic Archdiocese of Boston. For these latter endorsements, personal meetings with the union leadership and lobbying staff were necessary. MassDivest members attended the Mass Teachers Assoc. annual meeting and made a presentation, and numerous phone calls had to be made to see that commitments to send letters or do lobbying by all three groups were actually carried out. In the final stages of passing the bill and dealing with the Governor's objections, the Catholic Archdiocese and Council 93 lobbyists joined the delegation to meet with the Governor and urged him to sign the bill.

Political Forces in Massachusetts

Massachusetts is a heavily Catholic, older industrial State with a strong Democratic Party. It has occasionally stood out as a "liberal" State as in 1972 when it was the only State to give a majority to George McGovern in the second Nixon election. In 1977, however, Edward King took office as a conservative Democrat who supported policies that eventually became known as "Reaganomics." The following years were characterized by a great deal of backsliding on so-called social issues, and Prop. 2 1/2 passed in 1980, limiting local taxes and forcing dramatic lay-offs in State Human Services. So MassDivest began organizing in a conservative climate not too different from that in many other industrial States.

In planning outreach and lobbying strategies, Sen. Jack Backman and his staff member Bob Schaeffer, Rep. Mel King and the MassDivest members took a cold, hard look at the realities of Massachusetts politics to decide where to put the greatest energy. In the State Legislature, the bulk of the members were not particularly interested in the divestment bill, and only could be persuaded to vote in favor of it by the endorsement of those whose money was at stake, i.e., public employees and teachers. In some cases, in small towns like Gloucester or Beverly, the Legislators consider it a landslide if they get five letters or phone calls on any one bill. So, some gathering of support in the House and Senate was achieved with relatively little effort, if we happened to have active MassDivest members in such towns.

The divestment bill drafted by MassDivest and filed in 1981 was designed to win maximum political support within the coalition and in the Legislature. One provision specified reinvesting in Massachusetts "to the extent possible," primarily to appeal to unions and others concerned about the economic impact of the bill. Another provision allowed three years to complete divestment, to counter arguments that a hurried sale could hurt retirees' funds. For the Legislative leadership, which includes the Senate Ways and Means Chairman, the Senate President, and the Speaker of the House, a different strategy was employed. In each case, specific lobbyists such as those from the Catholic Archdiocese of Boston, or specific media such as the Boston Globe were targeted by MassDivest in order to get them to act at a propitious moment.
In 1981, progressives at the State Democratic Party Convention got the party to put a pro-divestment plank in the Party platform. This could be used later in speaking to Legislators who voted the Party positions, and with the Chairman of the Senate Ways and Means Committee, who is also the Democratic Party Chairman for the State. In the Fall of 1982, the head of the TransAfrica Boston Support Group, Prof. Willard Johnson, set up a meeting with the powerful Speaker of the House. Prof. Johnson specifically asked the Catholic Archdiocese lobbyist to accompany him to emphasize the moral concern of the Church about divestment. The meeting actually served as an opportunity for the Speaker to raise some specific economic worries he had about the bill and hear the MassDivest counter-arguments as expressed by Prof. Johnson.

The Black Caucus in the State Legislature, which was only seven members, was particularly strong at key points in the divestment campaign. At one point in the Fall of 1982, the Black Caucus specifically opposed the Governor's attempt to add the Sullivan Principles as an amendment to the bill. This input was critical and happened only because the Black Caucus members and staff were alert to the issue and made it a priority. This type of watchdog activity and quick intervention by alert Legislators or their staffs cannot be overemphasized in a Legislative campaign, even if it does not involve a large number of people or get wide publicity.

The activist organizations in the MassDivest coalition, such as BCLSA and a group called For the People in New Bedford, provided experience in community and labor outreach, plus contacts in particular unions that were very important in gathering initial endorsements. On the other hand, certain individuals who were very conscious of the international meaning of divestment from South Africa, saw MassDivest more as a vehicle for broader organizational goals and base-building. This was a problem when it became a sectarian debate over the specific wording of a brochure or slide show. During 1981, in particular, some of the MassDivest meetings were taken up with such wrangling and attendance started dropping off, but the majority of the members remained focused on the main goal of passing the bill.

In general, the more politically experienced members of MassDivest stressed community and labor outreach, did a lot of work early in the campaign, and later served as the "glue" which held the organization together when the Legislative process was slow. The political force mobilized by these groups was probably not as critical as those forces represented by the major public employee union lobbyists and the Catholic Church. Nevertheless, the more grassroots approach did spread the word quite widely throughout the State, and ultimately put the issue before a much wider audience. This was important, though not the main goal of MassDivest.

**Legislative Approach**

The basic elements of the MassDivest approach to the Legislature included testifying before hearings of the Public Service Committee, which first heard the bill, as much constituent pressure as could be mounted on individual Legislators, moral suasion by religious leaders, lobbying by the employee groups whose money was at stake, and persistent media work to see that the bill and the issue of South Africa got maximum attention. While the groups which made up MassDivest represented a fairly solid base of sup-
port, it still took persistent work to impress the Legislative leadership that they should take the divestment issue seriously.

The Senate President in Massachusetts is from South Boston, an Irish ethnic neighborhood most identified with opposition to busing to desegregate the Boston schools in the past decade. In his case, constituent pressure was considered unlikely as a strategy, so meetings were set up with his staff and the Catholic Archdiocese lobbyists. Furthermore, he was clearly sensitive to the media coverage in the Boston Globe about the final days of the 1982 Legislative session. In one editorial, the Globe urged the Legislative leadership to act on several key measures before they adjourned for the year; they also bemoaned the circus-like atmosphere as out-going Governor King handed out judgeships and commission appointments on flagrantly political grounds. In a press conference immediately after the session ended, the Senate President pointed out that several of the measures the Globe had called for, including the divestment bill, had been enacted.

In the case of the Speaker of the House, the key contacts were made by Rep. Mel King and Rep. Doris Bunte, two leaders of the Black Caucus from predominantly Black districts in Boston. Early in 1982, Rep. King had gotten a commitment from the Speaker that if the divestment bill came over from the Senate, he would make sure that it moved through the various steps needed to get it acted on quickly in the House. This commitment was probably as much a reflection of the Speaker's respect for the principles and obvious concern of these two legislators as it was his personal support for divestment or justice in South Africa. As the session ended, moreover, Mel King was retiring after ten years of dedicated work in the House; no doubt the Speaker felt some obligation to make good on his promise as a way of acknowledging Representative King's work.

There was some involvement from national political representatives from Massachusetts, specifically Senators Kennedy and Tsongas in 1981. Both expressed their support for the divestment bill and concern that it get acted on in the State Senate. It is impossible to judge the importance of this, since the bill did not get out of the Senate in that year. Nevertheless, the point was probably not lost on the Senate leadership when they were making their informal calculations as to the political importance of the bill in 1982.

The work done by TransAfrica members and its Boston leadership, particularly Prof. Willard Johnson, was critical in the last six months to a year of the campaign. Prof. Johnson was able to get an op-ed article signed by him in the Boston Globe in 1981, and a TransAfrica member was the co-chair of the Lobbying committee in 1982 when the most intensive lobbying took place. By activating their phone tree and generating letters from their members, phone calls to Legislators, appearances on several media talk shows, including a two-hour radio debate with the South African Vice Consulate up from New York, TransAfrica made an enormous contribution to increasing public awareness of the divestment issue and articulating the concern of the Black clergy, academics and professionals in the Boston area.

Finally, it is important to stress the overall leadership provided to MassDivest by Sen. Jack Backman and Rep. Mel King in describing what works and does not work in the two Legislative bodies. They pointed out who were
the key opinion-leaders, such as Committee Chairmen, which ones could be counted on in a pinch, and what the timing of the lobbying effort had to be to have the maximum effect. Both of their staffs worked overtime on the divestment bill, and Senator Backman's aide, in particular, became an important information clearinghouse on a wide variety of issues related to the bill. Because of their diligence in the final days of the 1982 session, the bill did not die on the floor of the Senate or the House when a lot of other bills did.

**Economic Arguments**

The State Employees and Teachers pension funds combined amount to about $2 billion, most of which came from employee/employer contributions over the years. Each year there is a shortfall between the income from these invested funds, most of which are in utility bonds and government-insured mortgage bonds (so-called Ginnie Maes and Fannie Maes), and the amount which must be paid to the pensioners. This shortfall is always made up by an appropriation from the general tax revenues. For this reason, we argued that everyone who paid taxes had an interest in the public pension funds and we put this in our brochure and outreach materials.

A fairly small proportion of the pension funds is invested in industrial bonds from major companies like Dow Chemical, General Electric, Xerox and the like. Also, a somewhat larger portion is in bank bonds and stocks of some of the largest U.S. banks. It was these latter investments that MassDivest argued could be sold or swapped for other investments, such as Massachusetts secondary mortgage pool notes which would have the effect of freeing up mortgage money in Massachusetts and stimulating the economy. In the Spring of 1981, the total of the South Africa-related investments was about $132 million. Since the bond market was depressed, selling or swapping all the bonds would have resulted in a paper loss (the difference between the book value and the current market value of the bonds on a particular day). But because banks always do well in a recession, their stocks were generally up, and in the particular portfolio held by the pension funds they would have almost entirely offset the paper loss from bond transactions.

These points were consistently countered by misleading figures from the State Treasurer's Office. Throughout the two years of intensive work, the staff member in charge of day-to-day investments of the pension funds quoted only the losses from bond transactions in projecting the economic impact of the divestment bill. He said at various points that it would cost $14 million, $16 million and even higher numbers, even though he knew that the bank stock sales could offset these paper losses from bond swaps, and that investing in higher interest bonds available in the current market would eventually bring more money into the pension funds and benefit the pensioners. We argued that the Treasurer's staff member was being disingenuous, at best, even though we believed he was deliberately lying.

The other main argument against the divestment bill was that it would introduce non-financial constraints on the Investment Committee's freedom of action. If they could not invest in companies and banks which were in South Africa, soon there would be other restrictions and the investors would be hamstrung. In fact, there are already many non-financial constraints on the investment of pension funds, such as the exclusion of municipal bonds because of possible conflict of interest (State investors
might favor one town over another for personal reasons). There was a "legal list" which already cut down the Investment Committee's freedom of action much more than the South Africa prohibition would.

Another stock phrase which got raised by the Treasurer and the Governor was "fiduciary responsibility." This generally means that public officials charged with overseeing investments such as the pension funds should act as prudently and with as much attention to maximizing return as they would with their own money. It is a hazy concept, both in its definition and in the few legal precedents where it has been invoked. In the divestment context, the opposition said that divestment of South Africa-related bonds and stocks would be a violation of the fiduciary responsibility to the pensioners. We countered this several ways: First, we said there would be no loss if the decision were made over three years and the best possible selling or swapping points were chosen. Second, we took the argument to its logical but absurd extreme, namely, that there is such a high rate of profit in South African investments that all the pension money should be put there. Since no one was willing to advocate that, we said that moral considerations, and not just the riskiness of investing in the apartheid regime, must be brought into the equation. Finally, we argued that the Investment Committee was selling bank stocks and swapping bonds at a paper loss already and it wasn't a violation of their fiduciary responsibility.

But the biggest turn-around in the economic arguments happened in the Fall of 1982. Because the market went through a dramatic run-up starting in August, by mid-October we could assert that divestment of the South African-related holdings would make money. Even though the Investment Committee had been selling bank stocks, including those on the UN Centre Against Apartheid list for having made loans to South Africa, and taking millions in profits, the change in the overall market was such that by Nov. 30, divestment of the $88.8 million of remaining bonds and stocks on the South Africa list would have a net positive impact of $2.4 million. We even produced two examples of bond swaps from older and lower-interest bonds to newer and higher interest ones with the same maturity date which would have brought in a net gain of $100,000 to the pension fund.

This meant that the final debate in the Senate was reduced to blatantly chauvinist arguments like "we need their chrome" or ideological baiting of the proponents for not talking about companies with investments in Russia. Even the Governor's veto message, while it was couched in terms like "fiduciary responsibility" had to give away the economic arguments against the bill that had been used earlier. His veto was based on political ideology, not economic rationality.

Key political choices by MassDivest

In addition to the initial decision to go for divestment, described earlier, MassDivest had some early discussion about what slogans to use. The two major ones were "State Aid to South Africa? Bring Our Money Home!" and later, "Make it in Massachusetts, Not in South Africa." Both these appealed to people in Massachusetts and their direct interests, not to some moral or political ideal. This was rationalized as the best way to reach
the largest number of people who might get involved in the campaign. The second slogan was a play on words with a slogan that Governor King had coined early in his Administration and was an attempt to poke fun at the leading conservative in the State. He used the slogan, "Make it in Massachusetts," as a symbol of his intention to roll back public services, cut taxes, and make Massachusetts a more "pro-business" State. We used the slogan to mean that pension money was better spent on Massachusetts investment vehicles than in the most racist country in the world. We did not go into detail about the liberation struggle in our literature, or otherwise demand an anti-imperialist consciousness from people who would support divestment, for obvious reasons - to do so would have dramatically reduced our base of support. In addition, there was disagreement within MassDivest about which liberation movements to mention and how to describe them.

Since the Treasurer, Robert Crane, is a well-known politician in Massachusetts (he got almost 80% of the vote in 1982), we had to deal with the opposition from his staff at several points. In the Senate, it appeared that the Treasurer's opposition was the key to keeping the divestment bill bottled up in 1979 and 1980. In 1982, a banker who advised us on economic arguments presented by the Treasurer's Office suggested that we re-draft the bill to make the time period for divestment indefinite. This meant that the bill would simply commit the State to divest, but there would be no way to force it to happen within a given time period. After some discussion, we decided that passing such a bill would leave us with something that was toothless and unenforceable. We therefore stuck with the language which required divestment over three years.

In early December, 1982, the Governor received the bill as passed by both the Senate and House and he offered a compromise which would have limited divestment to stocks, thereby eliminating industrial and bank bonds. This would have meant cutting the amount to be divested to a book value of $35 million and would have let the companies with actual plants and employees in South Africa off the hook. MassDivest was then faced with the dilemma of accepting a watered-down, amended bill which the Governor would sign, or possibly losing a veto override vote and having to reintroduce the bill and do the campaign over again in 1983. Since there was little time left in the Legislative session, we decided the issue quickly in a dramatic meeting. While one member wanted to accept the amendment, and several MassDivest members were confused about what to do, Rep. Mel King and Prof. Willard Johnson argued convincingly against any weakening of the bill. This decision was then carried to the Senate and House by Sen. Backman and Rep. King who got support from the respective leadership to send the bill back to Governor King without amendment.

A last-minute flurry of letter to Senators and Representatives, key phone calls to the Senate President and House Speaker, some timely editorial support from the Boston Globe, and a climate of urgency as the session ended, all culminated in the large override votes to pass the bill in the last two days of the Legislative year. It was the only bill the Legislature had passed in its 1982 session over the veto of Governor King.
Summary

The Massachusetts divestment legislation has a ten-year history, and the strong impetus to work on the bill really developed after the worst bloodbath in recent South African history - Soweto. The bill had little support among the general public or the public employee unions, churches or community organizations initially, and it foundered on the shoals of parliamentary maneuvering for two years. After a broad-based coalition of groups and individuals mounted a year of outreach, public events, testimony at State House hearings and a second year of lobbying individual Legislators and key leadership, the political strength was mustered to pass the bill. It was a campaign that had many of the attributes of a classic grass-roots organizing effort, and it had exceptional leadership from two Legislative sponsors, Sen. Jack Backman and Rep. Mel King, from TransAfrica and BCLSA, and from a core of committed activists. The key factors along the way included, 1.) a solid base of support in the public employee unions, certain churches and community organizations in both the Black and white communities, 2.) alert watch-dog activity on the floors of the State House, primarily by Legislative staff members, 3.) persistent and effective media contacts, and 4.) skillful targeting of the key Legislative leadership at the right time to move the bill on to enactment.

The MassDivest bill was passed during a time of worsening conditions in South Africa and Namibia, which demanded a response by people of conscience in many countries and in other similar divestment activities around the U.S. After all is said and done, the bill will have little material effect on the companies divested, but its psychological impact in South Africa is no doubt considerable - and it was a very, very satisfying victory for those who worked on it.