

THE RESPONSE OF THE PRINCETON COALITION FOR DIVESTMENT
TO PRESIDENT BOWEN'S REMARKS ON UNIVERSITY INVESTMENTS IN COMPANIES
DOING BUSINESS IN SOUTH AFRICA

The Princeton Coalition for Divestment thanks President Bowen for his generous commitment of time and energy on May 7th to address the ongoing debate over Princeton's policy on investments in firms doing business in South Africa. However we disagree with many of his conclusions. Despite the President's efforts to assert that the special autonomy of the University precludes any involvement in economic and political matters, the President confirmed that the University is neither morally nor politically neutral in regards to University investment in corporations doing business under the apartheid regime in South Africa. The University has publically condemned the apartheid regime on moral grounds. It has implemented a policy of divesting from companies the majority of whose business is in South Africa. Further, the University has through "letter writing" and "private dialogue" urged corporations to conform to the Sullivan Principles and recommended that banks not lend money directly to the South African government. However, President Bowen categorically ruled out divestiture in any form as a means for achieving these University goals, thus rendering Princeton's policy completely ineffective. In sum, President Bowen simply reiterated the University's particular strategy of pressure as it was formulated in 1978. This policy was wholly inadequate then. Given developments since, the policy is not only inadequate; it has become an embarrassment to Princeton in the eyes of the nation and the world.

Since 1978 there has been an increase in violent repression in South Africa of all efforts to advance democracy (no matter how non-violent). In the past nine months, for example, over 400 Black South Africans have been killed by the military and police. Unions representing Black workers covered by the Sullivan Principles (only 0.7% of the Black work force) have condemned the Principles as a "toothless package" and a "piece-meal reform that allows this cruel system of apartheid to survive." While American banks now rarely loan money directly to the South African government (in order to avoid the stigma of complicity with the oppressive regime), the increase in American bank loans to the private sector in South Africa from one billion dollars in 1981 to 4.3 billion dollars in 1984 has played a pivotal role in financing South Africa's massive 12 billion dollar balance of payments deficit.

These deplorable trends have given rise to a broad national movement to end American economic and political support for the apartheid system. Over the past year, states, municipalities, trade unions, and churches have divested over 12 billion dollars from companies operating in South

Africa. Further, some of the nation's most distinguished universities including Harvard, Yale, Stanford, and Brown have cautiously divested tens of millions of dollars from companies that do not conform to the Sullivan Principles or from banks that still lend money to the South African government. Columbia University has gone even further, divesting from banks that loan to the private sector in South Africa and refusing since 1979 to make any new investments in companies that operate in South Africa. Massive student protests for divestment have spread across the nation to hundreds of colleges and universities -- from Berkeley, UCLA, and Santa Cruz to Grinnell, Madison, and Oberlin, to Cornell, Syracuse, Rutgers, and Columbia. Finally, here at Princeton in the past month thousands of students, faculty, and staff have visibly and vocally demanded stronger actions from the Board of Trustees. Under these circumstances, we were shocked to hear President Bowen staunchly reiterate Princeton's 1978 policy and to reject out of hand even Columbia's more responsive stance of no new investments. In light of the above, it is imperative that the Princeton community reject President Bowen's eight point restatement of Princeton's inadequate and anachronistic policy.

1) President Bowen argues that corporate withdrawal might not contribute to the end of apartheid in South Africa.

We agree with President Bowen that the future of South Africa is difficult to foresee, whether American companies remain in that country or not. However, the Coalition believes that it is not the role or duty of Americans to decide the best strategy for bringing about an end to apartheid. This decision lies with the majority of South Africans. The Coalition for Divestment was formed in response to their call for divestment as a strategy to promote corporate withdrawal from South Africa. The majority of South Africans have expressed their support for divestment and corporate withdrawal through institutions as diverse as: the African National Congress, the Pan African Congress, the United Democratic Front, the South African Council of Churches, the Indian Congress Party of South Africa, the Federation of South African Trade Unions, the Council of South African Trade Unions, and the South African Student Organization.

It is worth noting that all unions representing workers covered by the Sullivan Principles advocate corporate withdrawal. They have made this call because they know that Western capital and technology is integral to the apartheid system. As proponents of apartheid have noted: "Each trade agreement, each bank loan, each new investment is another brick in the wall of our continued existence" (Former South African Prime Minister John Voster). President Bowen may not take the call for divestment by the majority of South Africans seriously but President Botha of South Africa does: it is high treason, punishable by death, for South Africans to call for divestment or economic sanctions. Finally, the white South African ruling elite prides itself on being a part of "the Western Christian world." By divesting, Princeton would send a resounding message to the South African government that apartheid is repugnant and must be abolished.

2) *President Bowen questions the efficacy of divestiture as a pressure on corporations to withdraw from South Africa. He argues that "companies are much more responsive to reasoned argument ... than to apparently dramatic actions."*

We applaud President Bowen for his moral stand against apartheid and his advocacy of reasoned argument to convince corporate leaders to reassess their activities in South Africa. However, if history demonstrates nothing else, it shows that great changes do not issue from words alone. The gains made by minorities and women in the United States during the last one hundred years were only achieved through concrete risks and struggles. Power responds to power. External pressure in the form of divestiture on the part of individuals and institutions who are shareholders is essential to compel corporations to cease in their complicity with the apartheid regime. Divestiture is effective. As The New York Times reported on April 30th, large scale divestiture from and withdrawal of funds in banks lending to the South African government persuaded these banks to stop making direct loans to that government. In fact, Harvard's divestiture of Citicorp stock worth over \$50 million is generally credited with having helped to "convince" Citicorp to change its investment policies in South Africa.

3) *President Bowen argues that in moral terms divestiture is a "self-congratulatory" washing of hands.*

In his 1978 statement, "The Role of the University as an Institution in Confronting External Issues," President Bowen asserted that "When the university buys shares of stocks, it inevitably accepts part of the responsibility for the company that accompanies ownership, even if the shares represent a very small fraction of the company's stock." We agree with President Bowen that the hands of those who choose to act cannot be made perfectly clean. Further, they must face the complexities of the world in which they act and the uncertainties of the consequences which issue from their actions. In reality, it is President Bowen who rejects moral arguments for partial and realistic steps towards an end to apartheid. He argues that if we cannot break every tie with corporations doing business in South Africa (e.g. a total boycott of products), then we should break none. Who are the moral purists? Those who choose to take partial measures or those who remain aloof? His point in fact is moot because Princeton has taken partial economic measures since 1969 to pressure corporations operating in South Africa. It should continue to do so and go further.

4) *President Bowen contends that the fiduciary responsibilities of the University trustees preclude divestiture.*

It is certainly true that the University trustees must take their fiduciary responsibilities seriously. However, there is simply no empirical evidence that divestiture would impair the health of the endowment or limit the options of the trustees in the fulfillment of their fiduciary responsibilities to generations of Princetonians -- past, present,

or future. As recent articles in The New York Times, Business Week, and The Wall Street Journal observe, studies by respected investment firms, such as Shearson Loeb/American Express, show that investment portfolios that no longer include holdings in companies that operate in South Africa, perform as well or better than portfolios that hold such firms. For example, Business Week reported on a study by Boston Corp. that compared the performance of the 135 "S&P 500" companies involved in South Africa with the other 365 companies in Standard & Poor's 500. "From December, 1972, to July, 1983, the other stocks (non-South African) generated a total return 17.4% greater than those with South African ties." Only approximately 350 of the over 6000 firms listed on the New York Stock Exchange operate in South Africa, and only 150 of the "Fortune 500." Ample investment flexibility would remain, as has been demonstrated by the divestiture of twelve billion dollars worth of stock last year by state, municipal, and union pension funds, whose managers are regarded as among the most conservative financial investors in America.

5) President Bowen argues that divestiture from companies involved in South Africa isolates a particular issue and thus violates the principle of fairness and consistency in judging corporations by their performance over a broad range of issues.

President Bowen states that we should not "sell a stock solely because that company does not agree with the University on a particular ... issue." However, he would no doubt agree with most Princetonians that there are certain issues which are of such moment and overriding importance that they cannot be discounted in investment decisions. Apartheid is such an issue. The University as a shareholder is responsible for the actions of companies which it owns. It should not own corporations that support racism, for the University as an institution is, in principal, opposed to racism. Indeed, the Trustees themselves acknowledged in 1978 "that the racially defined and repressive policies of South Africa create a situation so compelling as to warrant special attention." This situation is all the more compelling after seven years of no fundamental change, indeed a worsening of the situation, in South Africa.

6) President Bowen asserts that the use of divestiture as an "economic pressure" to influence the policies of corporations would open the University to "economic coercion by those outside the University" to conform to their ideas as to how the University should function.

This assertion assumes a symmetry between being a stockholder in a corporation and being a donor to a university. Such a symmetry is patently false. The University as a stockholder owns part of a corporation. A donor to the University, however, does not, and cannot be understood to, own part of the University. Donors trust the University to employ their gifts as the University sees fit. Investors, in contrast, lend their money and have every legal and moral right to withdraw those funds if they feel that the corporation has acted in a manner repugnant to their basic values. Finally, the University incurs the risk of eco-

conomic repercussions whenever it sells stocks, whether it be for poor economic performance or poor moral performance.

7) *President Bowen asserts that to divest would be to advocate "a particular political strategy" and thus compromise "the openness of the University to a range of viewpoints on all matters."*

All political values are not equal. We condemn South Africa because it violates the very principles of freedom of speech, social pluralism, equal opportunity, and democracy for which Princeton has traditionally stood. Far from jeopardizing those values, by divesting Princeton will demonstrate its uncompromising commitment to them. The Trustees and President Bowen have already advocated and enacted economic policies with the political purpose of defending these very values. For this reason Princeton has divested from corporations the majority of whose business is in South Africa. This is a political act, albeit inadequate, and one that has in no way compromised the special status of the University as an open forum for discussion of all views on South Africa or any other matter. The University, in fact, has taken many stands over the past few years with which individual members of the university community may have agreed or disagreed. Recently, for example, Princeton has actively lobbied in Washington for the continuation of the federal student loan program. Certainly it is not the case that the many individuals on this campus who support the Reagan administration on this issue feel that their position in the university has been compromised by Princeton's political stand.

8) *President Bowen contends that the debate over divestiture has deflected energy on this campus from the pursuit of other political options in regards to U.S. policy on South Africa and the University's primary educational goals in regards to these matters.*

Far from "deflecting energies and attention from ... the end being sought" by calling for divestiture, students, faculty, staff, and administration have joined in a national political movement to bring an end to American economic and diplomatic support for the apartheid regime in South Africa. The divestiture movement, as both President Bowen and leading members of the U.S. Congress have acknowledged, has helped to bring the very question of U.S. economic sanctions against South Africa to the floor of Congress. On this campus, no movement has better served the educational goal of enhancing dialogue over and understanding of the deplorable realities of South Africa.

In conclusion, it is our belief that Princeton University's policy on divestment has become increasingly inconsistent and untenable. The continued repression in South Africa demands that the University reassess and go beyond its 1978 position. No longer can the Princeton community be asked to remain silent, when acquiescence has brought only stagnation. The University must begin to live up to its moral commitments by moving forward with measures that have been demonstrated to be both

reasonable and effective. Further educational efforts, divestment from banks lending directly to the South African government, and a moratorium on further investments in companies doing business in South Africa, are all options that the University must consider seriously as first steps toward total divestment. In consultation with students, faculty, staff, and alumni, the Trustees and President should seriously re-think the University's investment policy and bring Princeton's actions in greater accord with its words. It is time that the values that Princeton professes to embody be made visible to the entire world.