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## Op-Ed: Frustrated by the lack of action on climate change and gun violence? Divest



Since 2013, a divestment campaign at the University of California has tried to get the regents to end investments in fossil fuel companies. (Fossil Free UC)

By JACQUES LESLIE AUG. 26, 2019 3 AM

Californians frustrated by Congress's failure to pass climate and gun control legislation have a potentially potent tool to produce the change they want: divestment.

The California Public Employees' Retirement System and the California State Teachers' Retirement System, the nation's second- and third-largest retirement plans, own investment portfolios that brim with shares in [fossil fuel companies](#), ammunition

manufacturers and gun retailers. So do almost all 401(k) accounts. Divestment campaigns can change that.

The primary goal of divestment advocacy usually isn't to force the collapse of target companies by depriving them of capital — that outcome is often out of reach. According to a 1999 study in the *Journal of Business*, the anti-apartheid divestment campaign that targeted corporations and individuals who

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did business in South Africa in the 1980s — generally considered the most successful such efforts — didn't deeply affect South Africa's financial sector. It achieved its goal by stigmatizing the practices of the South African government. As a 2012 Harvard Political Review article concluded, "It is almost certain that worldwide popular opposition ... [contributed to the decline of apartheid](#), and divestment was an important piece of this puzzle."

This kind of activism is a long slog, however. It runs up against the caution, political impassivity and sheep mentality of institutional investors, many of whom resent activist interference.

One rationale for resisting a divestment campaign is "fiduciary duty," which imposes a legal requirement on managers to try to maximize financial returns for their funds. As long as fossil fuel and gun companies make money, many managers consider them worthy investments. But divestment campaigns challenge investors to take a broader view of companies' benefits, considering their long-term social and environmental impacts as well as their short-term profitability. In the case of fossil fuels, for instance, gas and coal companies have been underperforming stock market indexes for the last half-decade and are likely to continue to decline as renewable energy spreads and climate change intensifies. Even fiduciary duty can argue for divestment.

The effort to persuade the University of California to sell its fossil fuel holdings is a showcase for institutional investors' resistance to divestment.

Last month, an overwhelming majority — 77% — of the UC faculty on all 10 campuses asked the university's regents to definitively [rid the school's portfolio of holdings](#) "in the 200 publicly traded fossil fuel

companies with the largest carbon reserves." The petition added weight to student demands since 2013, and it was personal for many of the science faculty, who for the last two decades have been in the forefront of identifying global warming's dangers.

Unfortunately, in response, a day after receiving the petition, Roger Sherman, chair of the regents' investments committee, issued [a statement](#) that essentially sidestepped the issue. It emphasized that UC has already moved away from fossil fuel stocks and toward sustainable energy, and cited the board's fiduciary duty to give climate change "the same weight as other material risks."

This is hardly the unambiguous divestment commitment the faculty voters want. Because of the university's stature, such a commitment would generate enormous ripples throughout academia and beyond. "This would be one of the biggest moments in the seven-year history of the fossil fuel divestment movement," said Bill McKibben, co-founder of 350.org, which has led the international campaign.

Only students, faculty and alumni can pressure the UC regents to divest, but millions of other Californians can put similar advocacy to work on their own portfolios. CalSTRS, for example, has repeatedly proclaimed that its funds are gun-free, but according to [As You Sow](#), a shareholder advocacy nonprofit, the teachers' pension fund still holds hundreds of thousands of shares in ammunition manufacturers and millions of shares in gun retailers such as Walmart and Dick's Sporting Goods.

One obstacle to divestment campaigns is that individuals don't know what companies a pension behemoth like CalSTRS or CalPERS is investing in, and 401(k) holders have to choose among mutual funds, which

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are just as opaque. As You Sow cuts through this obfuscation with a website [search function](#). You can enter a fund name or ticker symbol to get a list of fossil fuel, gun and other kinds of controversial companies your savings may be supporting.

Andy Behar, As You Sow's chief executive, is a divestment optimist: He believes that if enough individual investors abandon funds with holdings they object to, fund managers will drop the objectionable companies, which, in turn, will face trouble raising money.

"Every company in California should let their employees know what their [401(k)s are]

invested in — that to me is really the big issue," Behar said. "We're complicit in climate change and gun violence, yet none of us know it, and we don't realize the power we have to change it."

In contrast, the UC regents can't claim ignorance: They manage the university's portfolio. They should directly address the faculty petition, and they should overcome their timidity and commit the university to wholehearted divestment. The rest of us should end our complicity by dropping investment funds that contain socially destructive companies.

*Jacques Leslie is a contributing writer to Opinion.*