



## Divestment in South Africa? A Mis-Guided Missile

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“For every human problem,” H. L. Mencken said, “there’s an answer that’s clear, simple, and wrong.” Boards of pensions of church denominations, for example that of the Evangelical Lutheran Church in America, have been facing increasing pressures from their constituencies demanding that they sell all stocks and bonds in companies doing business directly or indirectly in South Africa as a way of ending apartheid in South Africa. It is clear that apartheid is evil and must end. However, for a number of reasons, divestment is “an answer that’s clear, simple, and wrong.”

1. Divestment is deliberate economic sabotage, and as such constitutes a form of violence; it tears down instead of building up. Denominational pension plan enrollees are not advised that their pension account will be used to weaken the economy of another country. Scripture teaches, “If your enemies are hungry, give them bread to eat” (Prov 25:21). The modern-day application is: Don’t undermine any nation’s economy, and thereby deprive its citizens of bread.

2. Neither blacks nor whites in South Africa want divestment. A 1989 Gallup poll revealed that 95 percent of the white population and 82 percent of the black oppose economic sanctions. Mangosuthu Buthelezi, leader of seven million Zulus, decries economic sanctions as ineffective and harmful to black South Africans. According to Gallup, blacks overwhelmingly point to unemployment as the most pressing problem in South Africa. *Harper’s* magazine (January, 1990), quoting The American Committee on Africa, stated that 3,520,000 South African blacks have lost their jobs as a result of divestment since 1980. Although my own bishop has argued that divestment is a necessary Christian “witness,” it is a “witness” that apparently most South Africans would prefer not to experience.

3. Most pension plan members do not favor divestment. A case in point: In the Evangelical Lutheran Church in America, where pension members have the option of having their pension accumulations invested in “social purpose” South Africa-free stocks, in 1989 only about 13 percent of member contributions were so allocated. The clear consensus among members of that pension plan is an *anti-divestment* one. Nevertheless, advocates of social action in the ELCA have sought to impose divestment philosophy upon the pension plan and recently succeeded in convincing the ELCA Church Council to order its Board of Pensions to institute

three new South Africa-free funds. This action counters a June 1990 sample survey by the ELCA’s own Office for Research, Planning, and Evaluation indicating that 77 percent of regular

pension fund participants oppose any divestment affecting assets underlying their pensions. It is inappropriate that a church leadership that wants democracy in South Africa, as I also do, should dispense with it in its own institutional decisions. The assets of a pension plan belong entirely to the members of that plan and not to any churchwide assembly, church council, or board of pensions which administers it. Yet when the wishes of a majority of plan members, who do not have the power directly to elect trustees to the boards of pensions, are ignored in favor of the proponents of divestment, this is “tyranny of the minority.”

4. Divestment puts all members of a pension plan at risk. If all companies doing direct or indirect business in South Africa are eliminated from portfolios, holdings in such American companies as Colgate-Palmolive, Gillette, Goodyear Tire, Hewlett-Packard, 3-M, John Deere, Abbot Labs, Bristol Myers, General Electric, General Motors, IBM, McDonnell Douglas, Westinghouse, Citicorp, and Ford Motor must be sold, with resultant lower earnings for pension plan members and their beneficiaries. Further, when alternative “social purpose” or “South Africa-free” funds are set up, new administrative costs are incurred which must be borne not only by those who choose those funds but by all pension plan members and contributing congregations.

5. Divestment or investment of pension funds for social purposes is illegal. The Employee Retirement Income Security Act of 1974 (ERISA) lists the duties of a trustee as follows:

...a fiduciary shall discharge his duties with respect to a plan solely in the interest of the participants and beneficiaries and for the exclusive purpose of providing benefits to participants and their beneficiaries and...with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. (Sec. 404a)

When political considerations are allowed to affect investment decisions, ERISA is violated. Since the Internal Revenue Service follows ERISA principles, any violation of the exclusive benefit rule will result in loss of tax-deferral on earnings from pension investments, to the severe detriment of pension plan members and their beneficiaries.

6. Divesting penalizes those American companies such as 3-M who have sincerely tried to improve conditions for blacks in South Africa. Although the 3-M corporation has received a top rating for compliance with the nine “Sullivan Principles,” still the Board of Pensions of the ELCA is under orders to sell all of its stock in 3-M. This, in spite of the fact that the Gallup Poll found that 59 percent of all South African blacks were of the opinion that American companies could be a catalyst for change in South Africa’s apartheid policy.

Divestment is a mis-guided missile, ostensibly aimed at apartheid, but instead unfairly targeting blacks, progressive American companies, and church pension plan members.

## **Divestment in South Africa? Yes...But...**

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I urge support for withdrawal of church investments, including pension funds, from United States companies which operate in South Africa, but not without certain qualifications relating to concerns about divestment campaigns in the churches and the way they have been conducted.

*Yes...*

First, my reasons for supporting divestment. Overall, I see divestment as a statement that is primarily symbolic. Its critics like to say it is “only a symbol.” In the human enterprise, I doubt that symbols are ever *only* symbols. It is largely symbols by which we live. Indeed, our symbols tend to become “bigger than life.” Symbols have mythic character in that they can help shape a new ethos, a fresh way of thinking about what is right and acceptable behavior. In that context, let me offer three specific examples of how the symbol of divestment speaks:

1. It speaks to those who struggle to bring about change within the apartheid system. They must be the primary actors in the effort to bury apartheid. But divestment is one powerful way in which they can see us expressing our solidarity with them. I take seriously the voices among them which tell us they can endure any temporary increase in suffering caused by diminished economic opportunity for blacks resulting from diminished United States investment.

2. It speaks a clear word of disapproval to South Africa’s ruling authorities. As part of a whole assortment of economic pressures exerted by the international community against South Africa’s oppressive system, the divestment movement is, I believe, already playing some part in forcing that nation’s white power structure toward the ultimate dismantling of apartheid.

3. It speaks to us as a church and as church members by helping us to see that our financial investments are *always* more than mere economic activities. It is nonsense to argue that social and ethical considerations should not enter investment decisions by church pensions managers. Those who favor divestment now are saying that we do not wish to gain economic benefits from the apartheid system, in the same way as some predecessor bodies declined to earn returns for our retirees from liquor or tobacco stocks.

*But...*

I also have reservations about the way in which divestment campaigns are

conducted within churches. Here my comments will be focused by the situation in my own denomination, the Evangelical Lutheran Church in America (ELCA), but the principles reflected are equally applicable to other churches.

1. For many of its advocates, divestment has become the single most important strategy in our church’s efforts to combat apartheid. In my judgment, it is not. More important is pressing our government—unilaterally and through the United Nations—vigorously to adopt and implement tough economic sanctions. More important is demanding that United States lending institutions and our government stop supporting loans to South Africa. More important is organizing ourselves as individual economic actors to boycott South African products such as jewelry, diamonds, gold, and to withdraw personal investments from companies operating in South Africa. Certainly those of us who support divestment ought never use it as the litmus test of purity in the anti-apartheid effort, which is to say people equally hostile to apartheid can

disagree about divestment's value as a strategy.

2. Without diminishing the importance of what is done by the international community generally, and by church people in the United States specifically, we need the reminder that the anti-apartheid struggle is only indirectly ours; that the most important actions are those occurring in South Africa. We should not see any of our economic behaviors as insignificant. But neither should we give the impression—as we sometimes do—that liberation in South Africa *depends* on the adoption of divestment by churches outside South Africa. It's but one part of the total struggle and—difficult as it may be for American Christians to accept—a relatively minor part.

3. We who support divestment need to recognize the associated unresolved legal questions. As I see it, they are essentially two:

- Do actions of church governing bodies (e.g., the ELCA Churchwide Assembly or its Church Council) bind boards of pensions, or are such actions only advisory, with final authority for investment decisions lodged solely with such boards?
- Under what circumstances is a board of pensions legally free to consider social criteria in making investment decisions? Can social criteria have legitimacy for a church investment entity alongside considerations of fiduciary responsibility?

There has never been a broad court test of such questions. We need one and I welcome any steps that will move us toward one. At the same time, a resolution of such legal questions, while essential and needing early attention, can never be seen by the church as a final answer to the theological and ethical questions about our collective role as an investor.

To sum up, I say “Yes to divestment.” But I ask that we not claim too much for it. The divestment debate has continued for at least a dozen years, but it's been a long time since there have been any new arguments from either side. My guess is that, though our language continues to grow more intense, the debate is no longer changing any minds. Finally, divestment is probably not the most important thing American Christians should be doing in the anti-apartheid struggle. It plays only a supportive role to the main stage, which is in South Africa itself.