A REVIEW OF DIVESTMENT BY MEDICAL ORGANIZATIONS AND ACADEMIC INSTITUTIONS OF SHAREHOLDINGS IN TOBACCO COMPANIES

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Over the past twenty years, various individuals and organizations, most notably in the health professions, have aired concerns about the ethics of profiting from investments in tobacco. The accepted definition of social investing is the integration of financial and social criteria when making investment decisions. The premise is that investing is not "value neutral," meaning that ethical and social criteria should be considered in how we use our money and profit from an investment. Proponents of social investing believe that one can feel good about the nature of an investment and derive profit at the same time.

The concept of socially responsible investing became current in the 1970s when various religious organizations began telling their investment brokers not to put their money into alcohol, gambling, or tobacco stocks. The actual theory dates to the mid-19th century when various American religious orders refused to invest in these so-called sin stocks. The resurgence in this kind of moral investment in the 1970s also included manufacturers of nuclear weapons, companies involved in the manufacture or use of nuclear power plants, and firms doing business in the Republic of South Africa.

Since 1980 in the US public pressure resulting from publicity surrounding social investing has resulted in dozens of universities, retirement funds, and even cities dropping their investments in certain companies in favor of others with more acceptable policies and products. At the level of the individual consumer, one organization has produced a shopper's guide listing each company's products alongside a table of the company's social policies such as the hiring of women and minorities. Thus it is conceivable that some consumers may be avoiding a certain brand of ketchup after learning that the manufacturer lacks a daycare facility for the children of employees.

It is now estimated that over $400 billion is invested in so-called do-good stocks that are not involved in harming human beings; this compares with $40 billion in 1985 but is still a minute fraction of the overall investment capital in the US. By 1990, if weapons manufacturers and companies doing business with South Africa were included in the list of unacceptable stocks, virtually every company on the New York Stock Exchange could be considered unworthy of investment. Yet by then, the force of the social investment issue in regard to South Africa had led to the visit by Nelson Mandela to the US and his support for divestment of South African-related stocks.

The field of tobacco divestment began in 1978 when members of the Resident Physician Section of the American Medical Association sent a confidential memorandum to the executive director of the AMA pointing to the hypocrisy of the AMA's holding of millions of dollars in tobacco stocks in its members' retirement fund. The note was dismissed with the arguments that the companies were diversifying into non-tobacco products and that the AMA couldn't prevent its investment division from its responsibility to seek the highest possible return. By 1981, when the residents' proposal to divest the stocks had reached the AMA's House of Delegates in the form of a resolution, the AMA voted to retain the stocks. Widespread adverse publicity surrounding this decision led the AMA to sell the stocks shortly thereafter, and since then the organization has been very supportive of the tobacco divestment. In 1986 the AMA wrote to every medical school in the US calling for a purge of tobacco stocks from university portfolios.

In 1984 DOC (Doctors Ought to Care) created Project S.N.U.F.F. (Stop Noxious University Funding Forever), which succeeded in getting several medical schools to drop tobacco investments. In 1990 a member of DOC led a successful effort to convince Harvard University to divest its $40 million in tobacco stocks. A radio commercial purchased by the group quoted the president of the university on the importance of social responsibility.

Around this time, all US efforts on tobacco divestment were combined into an organization called the Tobacco Divestment Project, with the aim of coordinating efforts to end tobacco investments by universities and pension funds. City University of New York became the second major university to sell its tobacco stocks. In 1991 executives of Philip Morris were so alarmed by the prospect of the sale of tobacco stocks by Johns Hopkins University (a former US cabinet member and professor at the university was a member of the Board of Directors of the tobacco company) that they visited the university in a futile attempt to convince trustees to retain their stock. At the University of Texas, a single student succeeded in getting half of the Board of Regents to vote to divest tobacco stocks, but the chairman broke the deadlock by voting to retain the investment. As a consolation, the Board prohibited smoking on the entire campus.

Another academic connection to tobacco that has come under increasing scrutiny is the acceptance of research funding from tobacco companies or industry-related research councils. In 1982 the University of Sydney in Australia became the first institution to reject all future tobacco industry funding. A 1992 survey by the American Medical Association, which that year rejected a policy statement that medical schools should reject research funding from the tobacco industry and its subsidiaries found that 52 of 95 medical schools responding accepted such funding. The morality of comingling of tobacco industry grants with government funding, such as from the National Cancer Institute, has received scant attention in the scientific community.

The Tobacco Divestment Project is currently redefining its objectives. The increase in product liability litigation against the tobacco industry raises the possibility that successful lawsuits could result in the bankruptcy of some tobacco companies, as was the case with asbestos litigation. Thus investors are faced with the prospect that tobacco stocks may become a financial risk. The dilemma for the Divestment Project is whether to publicize the potential legal and financial drawbacks of owning tobacco stocks or to remain committed solely to the moral argument on which it was founded.