

IN SICKNESS AND IN HEALTH:

Contradictions ⁱⁿ and Tobacco Industry Investments

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Hansen
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In assessing our battle in trying to promote health and prevent disease in the face of tobacco profits, it may be important to look at how the tobacco industry networks into the health care system and into other institutions. Some of the resistance we get in our efforts to prevent disease may be due to this networking.

Tobacco has been shown to be the most deadly of all addictive drugs. Mortality from cigarette smoking exceeds 350,000 people in the U.S. alone.*⁽¹⁾

Although we know smoking-related deaths are preventable, there is a lot of resistance to prevention. One obstacle to prevention of tobacco-related disease may be the sheer size and political strength of the tobacco industry. Its power is used not only to promote Tobacco as a sociable and attractive activity of normal women & but also to continue to deny the evidence on smoking and disease, and to oppose any legislation which might reduce smoking. As has been stated elsewhere Another obstacle may be the structure of the health care industry itself and its orientation towards cure rather than prevention*,⁽²⁾ and possibly its profit from cure. This paper addresses yet another problem. It is a look at one way the tobacco industry has become financially integrated into numerous institutions that have responsibilities towards the people's health and safety.

Methods

All investment managers of institutions with combined equity assets exceeding one hundred million dollars are required to file periodic reports with the Securities and Exchange Commission in order to comply with the Securities Act Amendments of 1975.^③ These reports include details regarding equity portfolio holdings.

Data for this paper have been extracted from holdings filed with the Securities and Exchange Commission dated March 31, 1988, as reported by CDA Investment Technologies*.^③

The type of business in which institutions were engaged was identified by means of a computer search utilizing the software package Compact Disclosure*.^④ Business activities were identified by the business description or primary Standard Industrial Classification Code. Investments in five corporations whose profits mainly come from tobacco sales were investigated: Philip Morris, RJR Nabisco, UST (formerly United States Tobacco Company), Loews, and American Brands.

Information was also extracted from financial reports from these five tobacco corporation as reported by Compact Disclosure.

Results

Institutions that invested in the tobacco industry included businesses engaged in the sale of life, health, and fire insurance. It also included other institutions linked to health care including non-profit foundations, universities, state agencies, and retirement funds.

Fifty-two businesses that reported to the Securities and Exchange Commission (S.I.C.) Code or business description as primarily engaging in the sale of life, health, and/or fire insurance. Of these 52, 38(73%) held investments in tobacco. These investments totaled 1490.4 million dollars and involved all five tobacco corporations: RJR Nabisco \$356.3 million, Philip Morris \$694.6 million, Loews \$276.7 million, American Brands \$ 81.4 million, UST \$81.4 Million. The top five insurance investors were Equitable (\$426.3 million), Aetna (\$140.6 million), Prudential (\$140.5 million, Kemper (\$124.7 million and Travelers (\$95.9 million). Ten of the 52 insurance companies were noted to be owners of health maintenance organizations.

Insurance companies involved primarily in the sale of life and/or health insurance held investments totalling \$1088.4 million.

Fifteen insurance companies were identified by primary S.I.C Code as principally selling fire insurance. Thirteen of these fifteen (87%) invested in tobacco. These thirteen fire insurance businesses alone invested over \$402 million in tobacco.

Thirty-four institutions, not reported in the above data, were identified as businesses in which at least part of their business activity includes the sale of life health and/or fire insurance. Thirty-two of these (94%) invested in tobacco, and reported a total investment of \$1487.6 million.

Three non-profit organizations were among the institutional investors in tobacco companies. These were the Ford Foundation with \$44.8 million invested in Philip Morris, the Robert Wood Johnson Foundation with \$3.5 million invested in Loews, and the Duke Endowment with a total of \$3.1 million invested in two tobacco corporations, Loews and Philip Morris.

Institutional investors in tobacco also included four universities. Three of these have associated medical schools and are listed in Table I. Interestingly these same three universities are among the top fourteen university recipients of cancer research funds from the National Cancer Institute in 1987. ⁽⁵⁾ This is also represented in Table I.

Funds from three state government agencies invested in tobacco. These were the Florida State Board/Administration with \$55.9 million, Wisconsin Investment Board with \$48.8 million, and Michigan State Treasurer with \$43.6 million. These three state agencies had total tobacco investments of \$148.3 million.

Retirement funds were among the largest investors in tobacco corporations. This was another way in which state funds were invested in tobacco. The following retirement funds

Table I

<u>University</u>	<u>Tobacco Investments</u> <u>(\$ Millions)</u>	<u>NCI Grants</u> <u>(\$ Millions)</u>
Harvard	17.2	15.0
Univ. of Texas	16.6	37.3
Univ. of Rochester	1.4	12.3
	<u>35.2</u>	<u>64.6</u>

(5)

had tobacco investments: New York State Common Retirement \$382.2 million, Colorado Public Employees Retirement \$73.8 million, Maryland State Retirement \$34.4 million, Ohio School Employee Retirement \$34.4 million, Ohio School Employee Retirement \$14.4 million. State retirement funds had total tobacco investments of \$504.8 million.

Retirement funds for teachers were also among the largest tobacco investments. These included College Retirement Equities \$283.8 million, California State Teachers Retirement \$218.7 million, Texas Teachers Retirement System \$204.0 million, New York State Teachers Retirement \$ 197.9 million, and Kentucky Teachers Retirement \$35.4 million. Tobacco investments by educational pension funds totaled \$939.8 million.

Investments in tobacco by all retirement funds who reported to The Securities and Exchange Commission exceeded \$2028.7 million.

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Discussion

The death toll in the U.S. every year exceeds the number of Americans killed in all the wars the U.S. has fought in the 20th Century. These deaths and all morbidity associated with tobacco use are preventable. In fact, the single greatest source of preventable morbidity and premature mortality in this country is cigarette smoking. This has been verified by U.S. Surgeon General Reports since 1964.

At the same time there is resistance to the prevention of these deaths. The data reported here may help to explain one of the important causes of this resistance. Many of the institutions who have an interest and responsibility in disease prevention, also profit from tobacco smoking.

Institutions who were exempted from filing with the Securities and Exchange Commission were not reported here. Also many institutions invest in tobacco indirectly through investment brokerages and are therefore also not reflected in this data. The numbers of medically-related institutions, pension funds and foundations is, therefore, probably greater than what is revealed in this data.

As reported here, insurance companies invest heavily in tobacco. This is true even though insurance companies enjoy and promote a positive image as health-related institutions. These third-party

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payers invest in the tobacco industry, and at the same time have been noted to be ~~re~~ reluctant to cover the costs of preventive services⁽⁶⁾.

It is believed that preventive services would be more widespread if private insurance companies would reimburse health professionals for preventive services⁽⁷⁾. Insurance companies are well aware of the health consequences of smoking. More than 200 major life insurance underwriters offer premium discounts ranging from 10-30% for policy holders who never smoked or were able to quit for more than 12 months⁽⁸⁾.

Reluctance to fund primary prevention of smoking or smoking cessation programs may reflect an economic interest in smoking promotion. Tobacco investments reflect a contradiction between their social responsibility and their economic interest.

Health maintenance organizations are considered to have a great responsibility to preventive care⁽⁹⁾⁽¹⁰⁾. However, even insurance companies that own HMOs invest in tobacco.

A contradiction may also exist in business which sell fire insurance and invest in tobacco. Fires caused by cigarettes kill over 2,300 men, women and children each year in the U.S. Over 5,000 others suffer burn wounds yearly⁽¹¹⁾. Cigarettes are the leading cause of fire fatalities⁽¹²⁾.

Only five foundations were required to file with the Securities and Exchange Commission. Three of these five invested in tobacco. Two ~~of the~~ non-profit foundations invest in tobacco and also are well-known philanthropic bodies which have contributed to health care.

Four universities were identified which held stock in tobacco. Three of the four have associated medical schools. The same three, while investing in a known carcinogen, also received substantial grants for cancer research from the National Cancer Institute for fiscal year 1987. Government money is accepted for cancer research by universities that profit from an industry that is the leading cause of cancer mortality in the United States.* (12) (13)

A look at economic reality reveals the fact that alcohol and tobacco products are important sources of tax revenue for all levels of government. This may affect limitations in health policy decisions in meeting the challenge of promoting public health. This problem may be compounded when state agencies and state pension funds are invested in the tobacco industry. ^{Some} Public health workers themselves have money invested for them in tobacco through their pension funds. Federal, state, and local tax revenue from tobacco products totaled \$7.9 billion in 1983.* (14) This may be compared to the \$55.5 billion in estimated medical costs of smoking-related illness in 1983.* (15) These medical costs in turn cause increased taxes and health insurance premiums.

It is very likely that many education professionals are unaware that substantial amounts of their retirement funds are invested in tobacco. School health education is often relied upon to prevent children from initiating tobacco products. New curricula are continuously being developed to teach children about their health and effective decision-making about health.* Retirement funds in

general have enormous fiscal clout. In 1980 private pension funds alone held over \$400 billion in stock and are projected to grow to over \$3 trillion by 1995.* (15) (16)

As mentioned earlier only stockholders in 5 major tobacco corporations are addressed in this report. Even though these corporations have diversified into other areas, profits of all five are still basically from tobacco as is shown in Table II.* (16) (17) It is also noteworthy to report that the second major source of income for four of these five corporations is from the sale of alcoholic beverages.

Table II

<u>Corporation</u>	<u>Major Cigarette Brands</u>	<u>% Profit from Tobacco</u>
RJR Nabisco	Winston Camel Salem Vantage Now	67%
Philip Morris	Marlboro Merit Virginia Slims Benson & Hedges Parliament	81%
American Brands	Lucky Strike Pall Mall Carlton Taryton	63%
Loews	Newport Kent True Old Gold Satin	82%
UST*		97%

*UST is ^{primarily} engaged in the manufacture and sale of snuff and chewing tobacco. It also manufactures or imports and sells pipe tobaccos and cigars.

Conclusion

The information in this report reveals some institutions with investment holdings in the tobacco industry. Investments in tobacco strengthen the tobacco industry. All investments, not just those mentioned in this report can be called into question. Perhaps it is time to divorce ourselves from any supportive relationship we may have become involved in, unwittingly or not, with respect to tobacco sickness and death. To effectively reduce or eliminate the toll of smoking requires multifaceted efforts including a hard look at the total economic picture of the tobacco industry. The tobacco industry itself can be expected to continue to do whatever it can to promote its deadly product. ~~Investigating our own relationship to tobacco and~~

Investigating our own relationship to tobacco and promoting divestiture is one way we can surgically remove the tobacco industry from health-related and other institutions. In addition, promoting divestiture would help focus public attention on the health consequences of smoking. Perhaps all of us could look for any participation we may play in the profits that are obtained from sickness and death.

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