



ILLINOIS DEPARTMENT OF
PUBLIC HEALTH

A Healthier Today For A Better Tomorrow

NOV 19 1990

Bernard J. Turnock, M.D., Director

Nov. 15, 1990

Dear Alan,

Enclosed are copies of my letter to the editor as well as copies of letters which Walt sent to President Rupp.

I'll be talking to you soon.

Phil

RICE ALUMNI FOR TOBACCO DIVESTMENT

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October 22, 1990

To the editor:

I was extremely disappointed by the September 14th Thresher staff editorial entitled "Don't Sell Philip Morris Stock" as well as by editorials by Joe D. Thomas and Robert H. Sparr which have appeared in subsequent issues of the Thresher. The editorials claim that if Rice divests from Philip Morris, the administration and Board of Governors will be "abandoning their financial responsibility to the university." Their arguments are based on the incorrect assumption that tobacco stocks are an indispensable part of a successful investment portfolio. They also seem to advocate the disturbing viewpoint that profit is the only factor that counts in decision making.

First of all, the future financial outlook for tobacco stocks such as Philip Morris is not necessarily good. An extensive analysis of the Tobacco Industry which appeared in the July 9th issue of Barron's (a national business and financial weekly) notes that "the end of the Eighties might, in retrospect, mark the end of a golden age for U.S. tobacco." They cite the "ominous growth of bargain brands," the fact that federal and state excise taxes seem destined to rise significantly in the years, or perhaps months ahead, and the growing anti-smoking trend which has been evidenced by such things as tobacco divestment. They also note that the profitability of overseas marketing is not nearly as great as expected. The article goes on to state that despite diversification by Philip Morris, in 1989 "tobacco made up 88% of the company's profit gain, and price increases, not increased sales, created 91% of the tobacco segment's gross profit gain. Raising prices is nearly a 100% explanation of Philip Morris's total profit growth this year." Many analysts question how long they can keep pushing prices up. The fact that Harvard University, with one of the most successfully managed endowment funds of any university, has recently divested of tobacco stocks supports the contention that tobacco stocks are not essential for a successful portfolio. While I certainly share Mr. Sparr's concerns about tuition increases, continued investment in tobacco companies will not prevent further rises in tuition.

As a family physician and as a public health officer, I have unfortunately witnessed the true tragedies of smoking. We hear the numbers all the time, but it is hard to really comprehend the magnitude of the problem. Smoking kills more than 390,000 Americans every year. That is more than seven times the number of Americans who died in the entire Vietnam war who die every year simply because they smoke. Smoking kills more people than AIDS, crack, heroin, cocaine, alcohol, car accidents, fire and murder - combined. It is the number one cause of preventable death and disease in this country.

The Thresher editorials totally ignore the important moral and ethical questions which underlie tobacco divestment. Undoubtedly, many companies have products, plans, or procedures of questionable social merit. The tobacco difference is that tobacco is the only product which, when used exactly as intended, kills people. Should Rice profit from an industry that is responsible for the deaths of 390,000 Americans and at least 2.5 million people globally each

year? Should Rice profit from the exploitation of youth, minorities and Third World nations by companies whose purpose is to addict as many young people as possible to a lethal drug? The World Health Organization (WHO) has stated:

Whereas in most industrialized countries the smoking habit is decreasing and becoming socially less acceptable, in developing countries it is on the increase, fuelled mainly by the intensive and ruthless promotional campaigns on the part of transnational tobacco companies. In most developing countries unfortunately, the legislative controls and other measures - which in industrialized countries succeed in limiting the use of tobacco - do not exist or are at best inadequate.

They predict that "smoking diseases will appear in developing countries before communicable diseases and malnutrition have been controlled, and thus the gap between rich and poor countries will widen further." U.S. Secretary of Health and Human Services, Dr. Louis Sullivan has labelled tobacco industry money as "blood money."

The September 14th Thresher staff editorial contends that tobacco investments present no ethical concerns since "no one is forced to do anything against his will," however, the fact that nicotine has been shown to be even more addictive than cocaine essentially eliminates this argument. Dr. William Foege, former director of the U.S. Centers for Disease Control has stated that:

addiction to tobacco is a powerful force that often negates the best intentions of even the most independent, self-reliant, and self-disciplined of people. Accurate knowledge, good intentions, and determined resolutions each night dissolve in a reflex puff of smoke in the morning. Despite the statements of the tobacco industry and the decisions by some legal jurisdictions, free will is not within the power of most smokers, and an affirmative choice is not possible each day.

If any other product were killing over 1,000 Americans every day there would certainly be a huge public outcry. The silence which has existed for so many years is due in part to the social respect and the financial and political strength afforded the industry by the fact that institutions such as Rice continue to invest. Just as the movement to divest South African stocks caused investors and the public to examine South Africa in a more truthful light, tobacco divestment will expose the tobacco industry as the merchants of disease and death that they are. Dr. Alan Blum, assistant professor of Family Practice at Baylor College of Medicine has pointed out that "exploitation of the majority black population by the white minority in South Africa ought to spark moral indignation in everyone, but so should exploitation of black, hispanic and white youths by the tobacco industry in the United States."

Sociology professor Dr. Stephen Klineberg has predicted that "in twenty years we will look back with absolute incredulity of [tobacco's] consideration as a legitimate product." Such a change in social climate will only result from ethical and moral decision making by institutions such as Rice. My Rice diploma states that Rice is "dedicated to the advancement of liberal and technical learning and the progress of mankind...." Demonstration and teaching of ethical values

is not beyond the scope of a Rice Education. Rice should divest of its tobacco stocks now, and join Harvard and other institutions who are addressing this issue. It is the morally correct and intelligent thing to do.

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(Rice 1982)

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July 13, 1990

Dr. George E. Rupp
President, Rice University

Dear Dr. Rupp,

Congratulations on a spectacular performance as host to the Economic Summit! I am delighted to be a Rice alumnus. I hope that your schedule is slowing down a little. You looked quite busy last week.

You should have received a letter from the Rice Alumni for Tobacco Divestment a few weeks ago. I was one of the people co-signing that letter. Now that the Summit has passed, perhaps you could find time to share your thoughts on the tobacco issue with us. If you have not already decided to promote divestiture, may I, as a friend of Rice and an admirer, encourage you to read the rest of this letter?

In your inaugural address in 1985, you placed a high priority on continuing to provide an outstanding education to Rice students, regardless of their ability to pay. As a recent graduate of Rice and medical school, I appreciate the relatively low cost and very high quality education that Rice provides. It is not my intention to jeopardize the financial status of Rice or Rice students.

Our university's financial stewardship is critical to meeting the financial needs of students. Although tobacco companies may make good investments over the next five to ten years, they are surely not an indispensable part of any investment strategy. The longer term outlook for these companies is questionable: US consumption is down, and expansion in foreign markets is generating considerable ire here and abroad. In spite of diversification by Philip Morris, over 60% of their profits still come from tobacco sales. At this time, a Philip Morris investment is undeniably an investment in tobacco.

The success of such an investment has sobering implications. The very students we most need to support are also most susceptible to tobacco's impact: a parent smoking one pack a day for 20 years has smoked a four year tuition; a child smoking for 10 years has lost \$7,000 or more; a child whose parent dies prematurely from smoking may never make it to Rice. The 'return on investment' in a Rice student who smokes is also cut short, statistically, by premature death. Tobacco is no friend of Rice or our students.

This is not a theoretical issue, sir. In your 1988 Report of the President, you mentioned Dr. Schroepfer's work with a cholesterol lowering agent and it's potential for commercial development. The nearly unbearable irony is that we have almost lost Dr. Schroepfer and his considerable talents twice - to heart attacks. And he continues to smoke, with 3 patched coronary vessels. The smoker fights against high cholesterol. For ten years I have felt a sense of emptiness and hopelessness whenever I have thought about this. Smoking must be a terrible addiction.

In your 1989 Report, pages 14 and 15 are devoted to James Kinsey, who apparently quit smoking at the onset of his first heart attack, but who has undergone by-pass surgery twice and suffered another heart attack.

The third major commitment in your inaugural address was to provide service to the community, including, but perhaps not limited to, the service through education described by William Marsh Rice. Service to the community was a recurring theme in the addresses made by your friends that day. Dr. Wheeler's address on "the whole human" was an admonishment to be a "husbandman" to your peoples needs, traditions, and values. Dr. Laney seemed to expect

Rice, under your leadership, to resist the "narrowing of interest and concern for the public good" he has seen in graduates elsewhere. He also noted that "teaching in a university is not unlike parenting." One could infer that teaching by example is as important on campus as it has ever been. Dr. Bok, in his closing remarks, predicted that you "will take some controversial stands."

I have had the privilege of serving briefly in overseas missions and hurricane relief. In those short exposures to other cultures, it seemed that American styles were emulated as much as possible by the general population. This included smoking American cigarettes. Perhaps your experiences are similar. Rice will not single handedly undo the damage done by exporting America's tobacco habit. Our university can be a public witness against this opportunism, however, by openly discussing its past association with tobacco and making plans to change the association in the interest of everyone's health. This would be especially appropriate in the afterglow of the Economic Summit. Other nations, developed or otherwise, do not need the economic burden of tobacco related health problems.

Please find enclosed an article from the May 24th New York Times. The story covers Harvard's and CUNY's separate decisions to divest their tobacco holdings. You may be aware that the Harvard decision was made after Harvard rejected an appeal to divest, which was followed by an unfortunate counter-advertising campaign in the local media, complete with hypocrisy and conflict of interest charges. The American Medical Association was similarly reluctant to divest some years ago, and did so only after some derisive media attention. Both Harvard and the AMA managed to look good in the end. These experiences have left some of my colleagues pessimistic about the chances of convincing large organizations to divest tobacco holdings without public ridicule.

To these colleagues I echo the sentiments expressed by Dr. G. Walter McReynolds in his inaugural welcome to you from the alumni: "We are united in our desire to assist you, as our fifth president, in any way we can, to increase further the esteem in which Rice University is held ..." Let us know how we can help.

Nothing would please me more on this issue than to see Rice spontaneously take the lead in tobacco divestment. You and Rice should take credit - we do not need to see our names in print. We hope to hear from you at your earliest convenience. Meanwhile, our prayers are with you.

Sincerely Yours,

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Class of 1981
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July 20, 1990

Dr. George E. Rupp
President, Rice University

Dear Dr. Rupp,

I hope that this letter finds you and your family well.

Barron's ran a gloomy front page article about tobacco companies on July 9, 1990. This is unexpected support for a minor part of our divestment argument - that tobacco's heyday is in the past. The prospect of poor performance is, of course, the ideal reason to divest from a money manager's point of view. A copy of the Barron's article is enclosed. It may be more persuasive to those concerned about the portfolio than any letter from the Rice Alumni for Tobacco Divestment.

The only investment rationale I can think of to stay in a tobacco stock would be to profit from consolidations or shakeouts in the industry. Some of RJR-Nabisco's problems are described in the article. If RJR-Nabisco collapsed under its huge debt load, Phillip Morris cigarettes might well replace their brands, giving PM a one time increase in sales. Of course, the portfolio manager has to correctly predict who will be driven out first.

One of my colleagues who is not a Rice graduate went out of his way yesterday to tell a Houston Post reporter that Rice now has larger tobacco holdings than any other university in the country. I asked the reporter to keep that off the record. The reporter was working on a cancer story to be printed later, and he smokes. I don't think that story will make the local press without another push. Sorry about that.

We look forward to hearing from you regarding the possibility of divesting Rice's tobacco holdings.

Sincerely Yours,

Walton Sumner

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August 1, 1990

Dr. George E. Rupp
President, Rice University

Dear Dr. Rupp,

Welcome back! I hope you had a relaxing vacation. You have certainly earned it.

Thank you for your thoughtful and encouraging response to our first few letters. I appologize for leaving more than one letter on your doorstep, but my wife and I are about to move to New Hampshire. I will be doing a fellowship in 'medical informatics' at Dartmouth for the next two years. (I think that means 'computers in medicine') We'll be living in a rented house on 50 acres of woods and trails, and I'll be working in the Dartmouth Medical School, 3rd floor of the Strassenburgh building. Consider yourself and your family invited for cross country skiing or berry picking or whatever is in season if you happen to be in the neighborhood.

I would have liked to say hello in person, but that will have to wait. Meanwhile, I'd like to own up to the fact that I have some personal interests in tobacco - mainly, that my father clings to smoking 2-3 packs a day of Phillip Morris' Merit cigarettes, and my younger brother has been smoking since age 14 or so. Neither has had any devastating problems related to tobacco yet. I don't think that this clouds my professional judgement on tobacco, but it is close to home.

The same colleague who was talking to the Post a few weeks ago told me about another media event. The second hand story goes like this: There is a Dallas television reporter (KFA?) named Brad Watson who has been working on a news series about the tobacco interests of Texas universities. He has been working on it for a few months, and is seeking information on stock holdings through the freedom of information act. He spoke to my colleague last week, who only said that there might be an encouraging story coming from Houston.

If this is true, someone at Rice is sure to have heard about this reporter's probing. Of course, this would make a nice opportunity for announcing divestment plans. On the other hand, if he is able to create a stir before Rice divests, he will think he was responsible for raising the issue. *"This is Melvin P. Thorpe, Watchdog News..."* Alas.

Dr. Rebecca Gladu is still in town, and she may be in touch after she delivers her first baby in mid August, Lord willing. I am sorry to be leaving before this little drama concludes, but I have great confidence in you and Rice. And seriously, you all would be welcome visitors in New Hampshire, if the opportunity arrises. If there is anything we can do to help, inform, or persuade, please let us know. May the Lord be with you.

Sincerely Yours,

Walton Sumner