

Portfolio Power:

Stocks as
Tools for
Social
Change

A university, commencement speakers tell us, is a powerful tool: In its libraries are locked the wisdom of the ages. And, a more temporal soul might add, in its stock portfolio is locked the clout of millions of dollars' worth of voting power over major American corporations.

Many a corporation of late has felt the lash of critics objecting to specific policies—investment in South Africa, production of the machinery of war, pollution of the air. And institutional investors like universities have come under pressure to use their portfolio power to change the way corporations behave.

Last week the Yale Corporation took a cautious first

step in flexing its financial muscles for social goals. The trustees of Yale, which holds about \$500-million in stock, endorsed the principle that an institutional investor must recognize responsibilities beyond financial gain. The corporation voted to create a University Investment Council by the end of the semester, to advise the trustees about proxy fights in which Yale might feel compelled to abandon its customary posture of abstention.

Universities have traditionally played a passive role in such matters. And students have not been much more active, though at Harvard they have protested the university's ownership of Gulf Oil stocks; the company's operations in Portuguese Angola, they claim, help suppress the largely black population of that colony. Yale students have seemed more upset about the university's relationship to the New Haven community than to more distant corporate holdings.

There have in recent months been some straws in the wind. Harvard appointed an adviser to President Derek Bok to study the implications of the school's stock holdings. But the Yale move is a significant break with the

past, and a possible portent for the future. No single university holds enough of a particular stock to control a major corporation, but the combined multi-billion-dollar power of the nation's universities could have an important influence on corporate behavior.

Yale's decision goes back to a 1969-70 seminar, sponsored by the Yale Corporation, dealing with the social responsibility of an investor over his stock holdings. This seminar spawned a treatise, "The Ethical Investor," written by Professors John Simon, Charles W. Powers and John Gunnemann, published last month by Yale University Press. This book's guidelines and recommendations were endorsed "in principle and on an experimental basis" by the Yale Corporation last week.

These guidelines clearly leave decision-making power—to buy and sell stock and to vote proxies—in the hands of the trustees and the university's investment manager. They draw distinctions between voting stock to correct "grave social injuries" and voting stock to affirmatively pursue a social goal. The proposals also warn against plunging into corporate de-

bate when it could divide the university community, and leave room for retreat when the prospect of "retaliation"—in the form of a financial cold shoulder from the corporate world—threatens the financial stability of the university. Yale, in other words, did not exactly embrace the Ralph Nader theory of corporate responsibility.

"This procedure will not satisfy the activists," cautioned Yale President Kingman Brewster, "but it does try to put the issue on an organized basis." "It's being tried on an experimental basis," said Trustee Cyrus Vance, a former Deputy Defense Secretary and now a Wall Street lawyer. "We're not locked into it."

Indeed, some sources close to the decision who support a more "activist" stance by institutional investors took a skeptical view of what Yale had done. "There are enough loopholes in this thing that it's likely nothing's going to happen," one observer said. "There's no real definition of what 'grave social injury' means. You may well get no consensus from an advisory group. And the nature of the Yale Corporation is such that you may get no action. Many of those men are deeply en-

trenched in the corporate world."

What does Yale's commitment mean? Phil Moore, director of the Project on Corporate Responsibility and a "founding father" of the effort to change General Motors' policies through proxy fights, pointed to several corporate challenges as potential first tests of the new Yale policy: "We're challenging big drug firms like Smith, Kline, and French, Eli Lilly and Warner-Lambert to stop using advertising to create an artificial demand for dangerous drugs. Is that a negative injunction or an affirmative step? We're challenging corporations to add blacks, women and workers to their boards. Is that a step to end discrimination or an affirmative injunction? That's what Yale will have to decide."

If there was a consensus that united trustees, activists and Wall Street about Yale's step, it came from Marion Wright Edelman, the first black woman trustee of Yale. "It's a step in the right direction," she said, "but the proof of the pudding is how it's going to be applied."

—JEFF GREENFIELD
Mr. Greenfield is the co-author of the recently published "A Populist Manifesto."

College Students:

'Uneasy and Worried'

Thirty per cent of American college students are so disturbed by events and trends in their country that they'd rather leave it—preferably for Australia, Canada or Western Europe. That was among the conclusions reported recently in a study of 1,244 students on 50 campuses by Daniel Yankelovich, Inc.

Comparing the results of the survey with similar studies the firm has made in past years, the report stated that there had been a sharp shift in students' attitudes, from concern about the state of the nation to worry over their own personal fates.

While 7 out of 10 considered themselves in the "mainstream" in their views, these same students said they did not believe that American democracy or justice functions evenhandedly. Major institutions need "drastic reform," they said. Such reform should be made within the "system."