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Terence Corcoran: Divesting the FP500

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The international activist campaign to rid the world of bad corporations, a.k.a. the divestment movement, recently won a victory at the University of Toronto. Under pressure from the Canadian branch plants of U.S.-backed green groups such as 350.org, the university said it "can help the world meet the climate-change challenge by undertaking targeted and principled divestment from specific companies in the fossil fuels industry."

We are clearly supposed to be impressed that the university will engage in "principled divestment" and will not go off on a wild bout of unprincipled random selling of anything in its portfolio, but it is far from clear what the university will be selling and what it will do with the proceeds. When it comes to investment and divestment, identifying corporations that are high enough on some universal moral hierarchy to merit investment is a tricky business.

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The standard at UofT, according to an advisory committee report, is to get rid of companies that "engage in egregious behaviour and contribute inordinately to social injury." That's not much help, really. The word "inordinately" means "beyond the usual and normal," which implies UofT investment managers will continue to invest in firms that cause only the usual run-of-the-mill social injury. Right.

A quick review of the publicly traded corporations on the FP500 list suggests a rigorous application of divestment standards could rule out investing in all but a few of Canada's top corporations. Taboos would obviously include oil companies, mining companies and the railways that ship their products.

Banks, meanwhile, lend money to fund all kinds of corporate skulduggery, including every resource-depleting firm. Big pharma? No way. Chemical companies? Kill Monsanto! Auto firms are clearly a cause of routine social injury. How about the high-tech subsidy seekers? Grocery chains? Maybe, but only if they serve locavores and are not foreign-controlled exploiters such as Walmart. Telecommunications firms look okay, although in the activist world they are all greedy, uncompetitive monopolists.

Once the average individual and institutional investor gets through the moral vetting process, for one reason or another, there's really nothing to invest in outside a few cleaner-than-clean operations. In other words, a broadly based divestment movement would eventually end up with nothing to invest in — which, come to think of it, is probably the ultimate objective of divestment proponents, whose larger objective is to rid the world of profit-making corporations.

If not total divestment, selective divestment of corporations that allegedly inflict the worst social injury remains an option. Here, too, the outcome is problematic. California's public sector pension plan recently said it was rethinking a 16-year-old decision to divest all its tobacco stocks. Turns out, the plan missed out on a 300% increase in the market value of tobacco corporations for an opportunity loss of US$3 billion. How much will UofT lose if it sells fossil fuel shares now at the bottom of the market and misses out on the next oil boom?

Another divestment problem is the hypocrisy of it all on the part of university administrators. Canadian business legend Seymour Schulich, one of Canada's greatest philanthropists, earlier this year fired an email off to UofT president Meric Gertler: "I take great exception to the oil divestment initiatives flowing out of the University of Toronto. Half my donations derived from money earned in the oil industry. These donations to the Nursing Faculty and The Leader Scholarship Project now exceed $5 million. Perhaps the anti-oil zealots at U of T should stop their personal use of hydrocarbons and refund all the donations we have made to the Schulich Foundation. Please pass this on to your committee of fools."

I wonder if he did.

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