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REAL MONEY

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There is a very relevant and important question that several people have asked lately: how does someone interested in a sane, safe and sustainable world justify investing in corporate stocks and bonds? It seems contradictory: to believe that a radical change in how economic power is wielded in our country while supporting those very same big corporations by buying and selling their securities for profit.

If some investors do not want to see the continuation of a culture that trashes the environment and inflicts suffering on most of the rest of the planet's species, how can they hold stocks and bonds and CDs in industrial companies, and financial institutions and mega-retailer industries that make their money?

It seems like we are faced with a difficult choice: sacrificing one's ethical standard or one's money. If we are to successfully transition to another model of doing business, to a sustainable way, there needs to be an effective means by which concerned investors can reconcile their ideals with the harsh realities of the marketplace.

There are four general answers to this question, but remember this, any promise of an easy answer to this complex issue should be seen as a marketing gimmick. Given the deterioration of conditions over the last 20 years, anyone who thinks they are making a difference in the world by investing in socially responsible mutual funds is indulging in self-mollification. The desire to screen out bad companies from ones holdings is understandable, it feels good, but in fact, it has no effect on the companies' behavior. Their cost of capital is not increased because well meaning investors avoid owning their

stock or bonds. A recent article in the New York Times documented the increasing numbers of shareholder resolutions that seek to bring poor corporate behavior into the light but it notes that little good has been done in terms of forcing corporations to change. These efforts, while well meaning, fail to significantly alter publicly traded companies' behavior.

The first effective solution is not buying products from companies whose actions are objectionable. The second is to make as much money as possible and use those extra funds to support proactive efforts to counter the political influence of corporate lobbyist activities. Third, find housing or private activity bonds that promote the economic welfare of people on the lower rung of the socioeconomic ladder. Fourth, channel your money locally by investing in small companies trying to make a go of it in the local community.

The first approach, not buying a company's products, is immeasurably more effective than not buying their securities. As we know from experience, sometimes we have to buy from companies we may not like. Many products and services that we have become accustomed to consuming are simply not available from local sources. Since corporate executives are paid based on the rates of growth they coax from the public spending, simply slowing down the number or amounts of our purchases can, if enough people do it, grab management's attention and force companies to rethink their strategies.

This is not an ideal moral solution but we do not live in an ideal world. For example, when my daughter is sick with allergies, she uses medicine made by Merck. It works, and so I have to consider this multi-national pharmaceutical company as a

potential investment since I use their products. If we consider it outside our ethical standards to own a company whose products I use, we are hypocrites.

Everyone who drives a car, courtesy of automobile companies and oil companies, and for those who turn on electric lights at night, courtesy of PNM's burning of coal, ought to occasionally acknowledge our intimate involvement in and support of a system that might run counter to our intellectual beliefs. Whether we are writing on paper, or computers, traveling in a plane or by bus, we all participate in the economy. To think we can isolate our spending from our investment ethics is inconsistent and dangerous.

Second, some investors believe that if they can make enough extra money, using whatever investment opportunities are around, they can find and fund proactive efforts to effect change on specific issues. This is the ends justifies the means approach.

It is important that professional investment advisors not project their personal values on client's portfolios. Like a psychological counselor or therapist, it is crucial that advisors do not substitute their positions regarding ethics for the intent of the owners of assets. If people want to make money, regardless of the character of the companies they utilize, then that is the right route for them.

A third path is for investors to buy low and mid income housing bonds. Unfortunately, New Mexico has almost no supply of these so we look in neighboring states for good tax-free revenue projects. These have a higher degree of risk than insured bonds, so they must be well researched and understood before utilizing them.

The fourth mode of effective social investing is to channel our savings into local ventures. It would be great if local entrepreneurs, especially ones with a pro-active community or environmental interest, were encouraged to experiment with cooperative

formats without having to put their personal homes up as collateral. The next time you are in a store in whose products/services you believe, ask the owner if they are looking for additional capital. An interesting discussion is sure to follow.

More than a few people are looking to funnel investment money directly into the hands of local companies. Look for highly motivated individuals who believe in their own future and in the long-term health of the community. People with these qualities exist in Santa Fe.

One big challenge is to simplify the process of getting money from those that have it and don't know what to do with it into the hands of the people who need it, who are willing to pay it back with interest or share in the profits that may ultimately be generated. Keeping the government out of the process is crucial, as paperwork and regulation are death knells for innovation. Strangely enough, we could learn much from China's innovative economy, which is based on millions of micro businesses, many financed through family contributions. There are ways for investors to find small businesses that need capital without going through big city brokers. For more information see [www.sfmicroangels.com](http://www.sfmicroangels.com) and [www.opportunity.org](http://www.opportunity.org).

Withdrawing our consent from the current corporate mode of behavior is a simple thing to actually do: by consciously not spending any money other than on what is essential. This would be a truly revolutionary act. Ironically, our retirement goals would be easier to achieve if we followed the dictum of Benjamin Franklin, who said, "A penny saved is a penny earned!" It is possible to simultaneously promote change and increase one's financial security.