

## Real Money: Being a truly responsible investor not about selling stock

**Rob Rikoon | Posted: Monday, May 6, 2013 7:00 am**

There is a well-meaning movement underway on some college campuses across the country for university endowment portfolios to divest themselves of carbon-based energy companies. While the enthusiasm expressed is admirable and the goal of reducing carbon emissions worthy, the means to achieve the end are, in this case, misguided.

Persons interested in socially responsible investments and helping the environment should keep in mind that no one really cares if you sell a “bad company” stock. In some ways, this only makes it easier and cheaper for people who don’t share those environmental concerns to gain more ownership. Certainly, this is not the goal of these well-intentioned people.

The effective way to influence the policies of large corporations has never been to divest ownership of stock, but to either become actively involved as a shareholder or, better yet, to use the economic power of boycotts. Both of these are long and drawn-out processes, as was shown in the highly emotionally and well-publicized campaigns against the abuse of grape workers in California. It took several years for regular people to influence the course of events, but they did. Boycott efforts also helped end apartheid in South Africa. If people are willing to refrain from giving even the most indirect economic support to rogue organizations, things will change. For better or worse, this involves personally giving up some comfort and/or convenience.

Companies do not care who their shareholders are, at least on an individual level. If you sell your stock in Exxon, there is someone else ready to buy it, especially if enough people are selling for social reasons and not based on the economic prospects of the company. In effect, divestiture is a “feel good” activity but it accomplishes nothing.

Let me make this point clear by using an analogy. If you live in a town that is highly desirable but you disagree with the policies of the town’s government, let’s say you decide to sell your property there to express your displeasure. However, the fact is that you are not willing to refuse to shop there, i.e., impose an economic boycott of goods and services provided in the town. So you continue to enjoy the resources of that place, continuing to visit often. The impact of your selling doesn’t hurt anyone; in fact, you might be contributing to an increased demand for the town’s products, since not only you but the new owners of your property all demand the benefits of the town.

Likewise, everyone who uses oil is complicit in the carbon emissions dilemma we face. Owning or not owning the stock is irrelevant. The reason for this is the demand for energy is still increasing due to rising affluence in the Third World and the desire of people there to enjoy the same kind of mobility that we in the West take for granted. If enough of us stopped traveling by car and airplanes and changed over to bicycles, if we refused to buy new plastic products and insisted on indefinitely extending the life of all

our packaging, carrying containers and the like, if enough of us turned off our electricity except for essential short spells of service, then we would reduce demand enough so that the revenue of offending companies would be severely punished. We would be physically reducing our personal carbon foot prints at the same time. This is what would make a difference.

If a million people stopped buying gasoline, oil industry executives would take notice. Soon, they would try to do something differently to get us to start buying again. I remember when, if you had grapes in your house or in your lunch bag, people looked at you strangely. This widespread social pressure was so effective in strangling the profits of offending grape growers that after a year or two of poor sales, the owners gave in to the demands of migrant workers for basic improvements in working conditions and other reasonable demands.

Even if only a few people sacrifice their own convenience and comforts, others will take notice. This is how effective social movements are born. I suggest that readers forget about blogging and signing Internet petitions, which are easy to do and therefore easy for people in positions of influence to ignore.

When consumers stopped buying products of companies doing business in South Africa, publicly repudiating the names of companies that were doing business as usual and thereby enabling segregation to continue, corporate executives were so financially impacted that they changed their policies. They either withdrew their business operations from that country or pledged to change their employment practices and operations there, eventually forcing the government of South Africa to resign and the whole system totally changed.

Consumers have tremendous power, shareholders very little. It is easy to say we are interested in being “green” while continuing on in an unsustainable lifestyle of travel and consumption. Most of us do just that. How many well-meaning activists who promote investment divestiture have changed anything in their personal lives to reduce their carbon footprint?

One person who has done so and written about the experience is S. Brian Willison. His story, called “Blood on the Tracks,” was published in the March (edition No. 447) of *The Sun Magazine*. One of his most interesting conclusions is that to live sustainably, one needs to consume only products made within 100 miles of where you live. This means growing a lot more food locally and re-establishing local handicrafts industries oriented towards functional products (clothing, pottery, etc.).

The other means investors have for supporting potential game-changing events is through putting some money into emerging technologies that may reduce the impact of carbon-based materials extraction, transportation and use on the planet. This is the cutting edge for America. The risks are high as the great majority of alternative-energy companies have had, to date, mostly terrible investment returns. This is the realistic price to pay for trying to make your money do real good in the world. Giving someone an order to sell a stock is an easy out — way too easy. Do some research, change your buying habits, be an example, enjoy the bike ride!

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