# Michigan State University: A Case Study in Divestment

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Michigan State University: A Case Study in Divestment
What follows on the next pages is a case study of an actual university that has totally divested its stocks linked to South Africa. This case study should be particularly useful to you in your organizing efforts for several reasons:
1) First of all Michigan State University actually gained money as a result of divestiture, approximately $1 million.
2) The money value of the stocks MSU sold was significant, over $7 million dollars.
3) The 13 companies that MSU divested from include most of the top U.S. investors in South Africa, including Citicorp which has recently been the target of numerous divestitures.

It is very likely that your university (or perhaps another institution you are in some way connected to) has holdings in at least some of the very well-known companies listed.
4) We are fortunate to have the breakdown by company of the dollar holdings MSU used to have. This specific information (e.g., that MSU sold 15,540 shares in Citicorp that were worth $378,680) about each company can help you in arguing for divestment from the companies listed that your own university might own.
5) Finally, there is also a list of the alternate companies MSU bought stock in to replace the South Africa-related companies.

It was these companies that gave a better return ($1 million better) than the divested ones would have. Though it is hardly an exhaustive list of alternative investments, the fact that there are real alternatives (some of them well-known) can help you in arguing your particular case for divestment. Two types of alternative investments in the corporate world not represented in the MSU list are: hotel chains and airlines (particularly domestic ones).
Within a short time I will come out with a fuller report on universities and colleges where divestment has occurred that will include quotes from Administrators about the alternatives that do exist. If you want further information on alternatives you can also write to: David Sand, Shearson 666 5th Ave NYC 10103. Shearson is a large brokerage firm that has been involved in the field of alternative investments. I hope you find this information useful.

In Friendship and Solidarity
Joshua Nessen, Student Coordinator
Amer. Comm. on Africa

Report on Michigan State University Divestment Action

In March 1978 the Board of Trustees decided to sell all their-stock in corporations and banks doing business with South Africa. Before taking any action they contacted the companies involved and asked them if they would get rid of their operations in South Africa. None of the South Africa-involved companies said they would do so (except A.H. Robbins Company which was only on the university's "approved" buying list and in which there was no actual shareholding).

Following the companies' negative response, the Board of Trustees began divesting of South Africa-related shares as of December 1, 1978. According to Mrs. Nancy Elliot, Director of Investments and Trusts at Michigan State University, the university's brokers "Scudder, Stevens, and Clark": "assured us that we could do as well for our investment portfolio by excluding South Africa related corporations as if we included them".

Over the next year "prudent divestment" of all South Africa-related stocks was carried out and completed by the end of 1979. Approximately $7.2 million in 13 companies was sold out of the university's total portfolio (including non-South Africa related stocks) of $16.6 million in stocks. The university also had bond-holdings worth $14 million. RSU has gained $1 million as a result of divestment.

According to Mrs. Nancy Elliot: "The disinvestment worked out much to our advantage because the firms that are involved in South Africa are the big industrial firms that have not been doing as well as other types of firms. By getting out of those stocks and into other relatively smaller companies doing better, we have come out ahead. Our stock portfolio today has a higher value than it would have if we had remained in South Africa-related companies. In figuring this we compared the current market value of the companies we sold versus the market value of the companies we got into. As of nine months ago (June 1980) we had earned an additional $1 million."

The companies that MSU divested from included the largest U.S. investors in South Africa among them Citicorp, whose subsidiary Citibank is the largest U.S. lender to-the South African Government (involved in over $1 billion in loans to South Africa*, and a recent $250 million loan to the Government). The full list of
companies divested from is as follows: Citicorp, IBM, General Motors, Dow Chemical, Coca Cola, Kodak, Exxon, Ford, Upjohn Co, Eli Lilly, Minnesota Mining and Manufacturing, Pepsico and Xerox. (A detailed breakdown of the holdings is on the next page)

The companies that MSU bought into to replace the divested stocks were: Air Products Go, American Hospital Supply, ArcherDaneels-Midland, Gulf Oil, Atlantic Richfield, Burlington Northern, Champion Intl, Conoco, Communications Satellite, Dupont, General Signal, Hughes Tool, Liberty National Life, Panhandle Eastern Pipeline and Texas Eastern.

Detailed Breakdown of Shareholdings Divested
By Michigan State University

Company
Citicorp IBM
General Motors Exxon Ford
Eli Lilly Upjohn Co Xerox Pepsico Dow Chemical Coca-Cola Kodak Minnesota Mining and Manufacturing (NM)

# of shares sold
15,540 13,806 6,352 19,968 10,625
14,500 13,350 2,655
19,425 22,700 12,380 5,000
9,850

dollar value of stocks
(at time sold)
$378,680
$1,011,064 364,818
435,611 840,906 570,377 150,355
478,294 581,688 495,076 273,794
531,540

166,151 shares
$7,191,211

TOTALS: