

THE POSSIBILITY OF BEING A NON-RACIST INVESTOR:

Some reflections on the Episcopal Church
and its national policy with regard to
investment in corporate securities.

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The within views are those of the author as an individual and do not necessarily represent the views of the Episcopal Society for Cultural and Racial Unity nor its task force on investment. They are offered for comment and to stimulate thought within the Church, particularly among those ESCRU delegates who are attending Special Convention II of the Church in South Bend, August 29 - September 5, 1969.

While a major emphasis among black leaders in and out of the church will be on a separate or pluralistic black economy for some time to come and will rightly seek a transfer of major capital resources from the churches, from the governments of the nation and from private sources, large-scale economic opportunities and resources will continue to lie in private industry. Furthermore, unless some radical new form of pension fund is devised, the church's clergy will continue to be heavily invested in the non-ghetto governmental and private businesses of this country, as financial prudence and legal requirements demand. Such job opportunities as exist on any large scale will continue to be found there. For this reason, the purchasing of securities, the exercise of corporate citizenship and the challenging of management to a higher degree of social responsibility lie within the collective grasp of the churches. It may not be right to speak of any complex social mechanism as having a conscience. Yet the Church does have a certain collective power through its investments which could bring into corporate life a leavening influence as it seeks to broaden the concept of profit to include the profit of all citizens and of cost to include the human cost of its policies.

In actual fact, some state and city treasurers have used the influence of their short-term depository funds as a lever for social change by demanding from the banks in which deposits are made that they provide equal service to all customers including minorities, that they accept the risk of losses normally carried by black banks, and that they carry out compensatory programs of training of minority groups. The churches, by and large, have not moved in this direction and have let this potential opportunity slip. One state treasurer commenting on this remarked, "They seem to think that money is scared, somehow."

The present policy of the Episcopal Church apparently focuses on putting money into black banks and "ghetto enterprises" in a church adaptation of the Urban Coalition strategy. Unfortunately, this program, worthy as it may be, shows little promise of modifying or affecting the central control over major elements of the economy which is held by an increasingly small number of companies and their directors.

The Episcopal Church has no national policy set by its national legislative assembly affecting its choice of investment in regard to racial equality. It has thus lagged behind the United Church of Christ, the United Presbyterian Church U.S.A. and the Unitarian-Universalist Association in this regard. Irrespective of problems of implementation, the adoption of such a policy would be a welcome first step and would provide a reference point from which implementation could be secured.

This is not to say that no apparent policy is in existence, for Dr. Lindley Franklin has stated:

"We do not have criteria as yet on investing in stocks of racially integrated domestic companies; however, we are particularly careful not to invest in any company which discriminates in its employment practices."

This position seems to be a confirmation of the by-now-discredited notion that it is sufficient for a corporation in discharging its obligations to announce that it will accept any qualified applicants if they show up. It must also be noted that the criterion used is also the law of the land since Title VII of the Civil Rights Act of 1964 forbids racial discrimination in employment. In addition, since 1961 a Presidential Executive Order has forbidden discrimination and required evidence of progress in opening jobs to minority groups from governmental contractors. There is little to suggest, however, that either the government or the Church has displayed any enthusiasm for using its power to enforce these policies.

So far as we are aware the Episcopal Church, like most other churches, has devoted virtually no staff or money to any research into the considerable data that does exist. If it had, one would have to doubt that the policy stated above was actually being carried out.

For example, in its bond portfolio held by the Committee on Trust Funds of the national church were the following securities on December 31, 1968:

		Market Value
"\$400,000.	Bethlehem Steel Corp. sub. deb. regd. 4 $\frac{1}{2}$ % 1/01/90	296,500.
150,000.	United States Steel Corp. s. f. deb. 4 $\frac{1}{2}$ % 4/15/86	117,937.
400,000.	United States Steel Corp. sub. regd. 4 5/8% 1/01/96	295,000.

Over three hundred complaints have been filed by non-white workers against the United States Steel Corporation and the United Steelworkers of America with the Equal Opportunity Commission. In most such cases, the commission has found "reasonable causes" for the complaint; but the Commission has been unable to bring the Company and the Union into compliance with the law of the land, and Negroes have been remitted to the expensive remedy of a civil suit against the company. Notwithstanding these findings of its own agency, the government continues to let this steel company fulfill government contracts and bid on new ones as if these violations were not outstanding.

In late 1968, the Office of Federal Contract Compliance began proceedings against the Bethlehem Steel Corporation to bar it from federal contract work and at the same time, the Justice Department commenced 18 Law suits against major corporations who are contractors to the government, including U.S. Steel and Bethlehem together with a number of long-standing signatories of the so-called Plans-for-Progress program.

When we turn to examine the investment of the Church Pension Fund, we find that its investments are often in companies which have been typically exploitative in their labor policies. A case in point is the Southern textile plants.

The textile industry has over the years demonstrated an almost structural inability to be responsible in its relationships to labor. It is characterized by intense competition not only internally, but also with foreign low-labor-cost manufacturers. Since textile manufacturing requires relatively little technological skill and relatively little capital at least in traditional lines, the industry employs relatively large numbers of laborers. The average wage today in weaving mills in North Carolina is \$2.08 an hour or 87.57 weekly, knitting mills \$1.87 and \$72.37 and women's hosiery \$1.97 and \$77.82.

The Southern textile industry is a largely refugee industry. Whenever labor became organized and insistent on higher wages in the Northern mill towns like Nashua and Manchester in New Hampshire and Lowell, Massachusetts, manufacturers would either threaten to leave or in fact actually left for areas where labor was unorganized and willing to work for lower wages.

Traditionally, none of the textile mills in the South were open to employment of Negroes. In fact up until two years ago virtually no mills did any hiring of Negroes for anything but janitorial duties. Today the major firms are advertising a doctrine of color-blind employment. Burlington Industries claims to be rounding up untrained Negroes, some with jail records, and actually paying for them to learn mill work.

The reason for this change is twofold: (1)The federal government began to threaten the withdrawal of government contracts from Burlington, J. P. Stevens and Dan River Mills; (2)other sources of cheap labor were drying up. In addition, the publicity and pressure of a public forum held by the Equal Employment Opportunity Commission in January, 1967 to explore and examine the textile industry's record on equal employment brought not only anger but results. The forum, according to the New York Times, not only angered and embarrassed the industry, but also resulted in Negro employment making its greatest gains in its wake. Negroes now constitute nine per cent of the work force in the textile industry as against 3.3 per cent in 1960. Blacks comprise 14.3 per cent of the work force in South Carolina. However, notwithstanding these gains, there is no room for self-congratulation and indeed, the record suggests the need for the Church to strengthen the pressure which resulted in these achievements.

Wholesale discrimination still exists in the types of jobs which Negroes are allowed to fill. Very few Negro women are hired, although they make up the largest group of unemployed people in the Carolinas. Negroes fill menial jobs, by and large, and are not promoted as fast as whites. For example, EEOC figures on the three companies most prominent in the South (i.e., Burlington Industries, J. P. Stevens and Dan River Mills) show that the three had a total of 394 Negroes in white collar jobs out of a total of 24,914 such jobs in 1968. Negroes held only 285 out of 15,984 craftsmen's jobs in these three companies. The commission is forbidden by law to reveal information about specific companies, thus complicating and making more difficult the task of groups such as the Church to analyze the progress-if-any-being made within a company. Furthermore, annual reports by the company do not reveal statistics in any detail. In fact, Dan River Mills flatly refuses to talk or reveal any statistics whatsoever.

The United States Commission on Civil Rights, however, established that the Dan River Mills in Greenville, Alabama, employed exactly three Negroes and those were in the lowest paid menial jobs. One Negro was hired as a weaver after 1964 when the Civil Rights Act was passed. But his testimony before the Commission stated: I was hired as a weaver, but somewhere along the line I got to be a floor sweeper, light bulb cleaner and what have you."

Without a question, these mills represent a sad history of human exploitation and injustice to minority groups, but yet the Church's pensioners will benefit from this human misery and injustice. As from December 31st, 1968 the Pension Fund held the following securities in its portfolio:

\$123,000.	Burlington Industries 4 3/4s of July 15, 1990	\$93,480.
220,000.	Dan River Mills, Inc. 4 5/8s 2/1/90	158,400.
800,000.	Kaysers Roth Corp. 5 3/8s 1984	662,000.
39,880.	shares Burlington Industries, common	1,774,660.

Among the 18 companies currently being sued by the Department of Justice because they have failed to comply with the minimum standards of fairness in employment are the following Pension Fund investments:

"\$166,000.	Chesapeake and Ohio Railway Co.	Ref. and Imp. 3 7/8%	\$142,760.
40,640	shares International Paper Company		1,529,080.

One ideological reason that is often offered for the Church's policy of investment runs as follows:

Theoretically, we can all agree that the church and private business should take into account "the social dimension". However, there is a question of due process of law involved. Unless or until its is discovered that a company has violated a law, we will not in all fairness to the company assume that it is doing anything wrong.

Theoretically fair, this doctrine in fact reinforces the impression that the Church as investor is seeking rationalizations to avoid the difficult and costly task of responsible investment. Indeed there are reasons for thinking that investment policy in fact follows the path where maximum return and minimum risk cross. However, if this is the case, then it would seem the course of honesty to say that the Church cannot afford to look into the morality or social responsibility factor in investment.

In a law suit, of course, the burden of proof is on the plaintiff to establish by a preponderance of the evidence that he is right in his contention, while in a criminal suit the prosecution must establish guilt beyond a reasonable doubt to overcome a presumption of innocence. The Church in practice seems to follow the latter procedure in assuming that a company is innocent until adjudged guilty of discrimination. Unfortunately this policy cannot be justified and is wholly inapplicable if justice is a primary objective of investment.

We would suggest that if a legal rule is to be followed and due process allowed, the analogy of the civil suit is appropriate. The presumption should be that America is—and during the whole of its history has been—racist in its employment patterns. Negroes, Spanish and Mexican Americans, Indians, Jews and women have traditionally been excluded from equal treatment. Historical studies have recently shown that after the Civil War the North was no more willing than the South to admit black people to competition with the dominant white Protestants and Catholics of the labor force. If this pattern is to be broken, it will come about either through positive inducements of the Church's positive blessing through its investment policy or via punitive action by government. The Church can and should insist that the companies in which it invests come forward with a preponderance of positive evidence documenting the fact that they are training and fitting minority-group members for more and more responsibility. Where a group has been repressed for so long to the profit of others, real fairness demands that damages be repaired by positive redress, for example by actively seeking candidates to fill posts formerly held by the dominant group. At the time, some form of compensation or retirement would have to be offered to those displaced.

Secondly, we would argue that the Church is not after all a court of law nor is investment normally considered to be subject to the rules of evidence. Those who generally advise the Church and other institutions tend to advise on the basis of fundamentals dividend record, earnings per share, price times earnings ratios and the general prospects for the company. Security analysis, while it involves computations and skillful interpretation of financial data, also involves a great deal of guesswork and an estimate of the general entrepreneurial skill of management. These estimates are based on interviews with company officials as well as general reputations and gossip. There seems therefore little reason to import the notion of a court of law when considering the social responsibility of management. What is called for is a reasonable showing. The Church is capable of taking an active part in demanding positive evidence of progress in employment as a condition precedent to investment. Too often, however, the Church is content to dismiss the charges of civil-rights-activists as emotional or one-sided upon being reassured by management through a skillful public relations man that all is well. Even when faced with rebuff by officials when data is requested, the Church typically reads this as a proper guarding of management's prerogatives.

The question is whether the Church could use its investment policy as a constructive lever for needed social change. To wait until the courts have decided the issue is to surrender responsibility. By the time the courts have reached a decision and enforcement is ordered, the necessity for judgment and the opportunity for exerting influence will have disappeared together. In fact, of course, court suits and legal remedies alone have proven inadequate remedies in the struggle for racial equity. The due process hangup may indeed help the Church to avoid the wrath of some of its more prominent members who are important corporation officials; but it will do little to advance the cause of its more numerous but less affluent and influential members who are seeking to enter the mainstream of American life.

At a very minimum, the fact that the Equal Employment Opportunity Commission has found reasonable cause to believe that United States Steel, Bethlehem Steel and other companies are guilty of discrimination should be reason enough to make a public case at a stockholders' meeting. Failing a satisfactory explanation from company management or, in the alternative, having failed to obtain an explanation or action which shows actual important progress, the Church could publicly announce its sale of the stocks or bonds involved.

The fact that this procedure has not been employed except at the insistence of local groups who are seeking change such as FIGHT in Rochester, leads one to speculate that indeed the Church at its central heights is in the hands of capitalist ideologists who control the purse strings and the decisions with regard to investment. Such speculation would be shown to be groundless if the Church would move toward creating task forces that would share in the investment process and that would be composed of prominent and sophisticated Churchmen of the groups discriminated against.

The government is clearly not doing the job of enforcing such laws as now exist in regard to job discrimination. Legislation now being considered by Congress envisions the broadening of the powers of the Equal Employment Opportunity Commission to include at least the power to seek court relief on its own rather than to rely on the private suit by the offended party or the power to issue cease

and desist orders on its own authority.. However, recent history suggests that legislation alone cannot remedy the situation. Federal agencies which have been set up to defend and advocate the interests of the public have tended to fall into the hands of the very corporations which were to be regulated. Mr. Herbert Hill, National Labor Director of the National Association for the Advancement of Colored People testified to this effect before the Ad Hoc Committee on Federal Contract Compliance:

"Although many major government contractors have been found guilty of engaging in a variety of discriminatory employment practices by federal and state civil rights agencies, not one government contract was terminated for violation of the non-discrimination clause. The history of the failure of federal contract compliance provides a classic example of the administrative nullification of civil rights laws and executive orders.

(T)he government has not used that machinery to eliminate the well documented patterns of employment discrimination. Instead that machinery has become a vehicle of bureaucratic duplicity and delay that has led to bitter frustration for Negro workers and member of other minority groups who have patiently sought those rights their national government repeatedly told them would be forthcoming if they used proper legal procedures."

It is therefore vain for the church to rely upon federal agencies to supply administrative pressure when recent history suggests that these agencies have been far more responsive to the pressure of important corporate interests and labor union bureaucracies. If the church will not come forward to second the pressure of the disadvantaged and the oppressed upon these agencies through its own investment pattern and stockholder action, it is hard to see how any minority interest can ever advance against the entrenched majority who work to deny them equal justice.

There are other impediments to effective action in the field of social responsibility. The trust funds of the Church are committed to the hands of men deeply involved in the financial and legal heart of the profit system. Often they are men of great wealth and power. Decisions made by them are, so it is said, unchallengeable because to challenge them would mean that they would refuse to carry out a national policy of investment in socially responsible enterprises. In fact, when the Church recently adopted a policy and established criteria for investment in regard to South African entrepreneurs, the trust funds committee in May reported to the Executive and Finance Committee that the criteria set by the Council were "so restrictive as to inhibit the best management of the funds committed to the Committee's supervision."

Clearly, the Executive Council will have to deal decisively with this issue.. If one of its subordinate committees refuses to carry out its policies, the Council will have to alter, enlarge or change the personnel of that committee so that its policy will be carried out. If the present committee resigns—and it may be that it should in view of its ideological disagreement—then committee could be replaced by men who are skilled in financial analysis and by men whose field is in social ethics and social theory and civil rights.

Another objection often offered is that there is no methodology available to establish which companies are the most socially responsible. Here we approach a difficult problem; but to this moment the Church's problem has not been the lack of a methodology but the lack of a serious commitment either in will or in money or in staff time to do anything really serious.

In 1963 the United Church of Christ under the leadership of Dr. Truman Douglass wrote letters to each of the companies in which that church was invested inquiring about their racial policies in seven specific ways. To the best of our information and belief even that ineffective step has not been pursued by our own church. In 1964 Malcolm Andresen of the law department of Socony Mobil and a member of the Urban League's national board initiated a study to investigate the feasibility of using non-discrimination as a criterion for investment by churches. That effort with only one staff member was abandoned, but the Episcopal Church national staff showed a complete disinterest in the project. At the present time, the United Presbyterian Church employs a retired part-time investment counselor to police its investment portfolio and to make inquiries and collect data in regard to national corporations which the church invests in. The Episcopal Church has not even taken that token step. Some four years ago Project Equality was started in Chicago by the National Catholic Conference for Interracial Justice to utilize the positive power of the Church to implement governmental sanctions by requiring positive evidence of non-discrimination from the contractors and businesses with whom the Church deals. Phase I of the program deals with suppliers of materials. Phase II of the program, begun only this February, will deal with building contractors and Phase III with financial, insurance and investment matters. Companies who agree to co-operate furnish material about their employment patterns to the central computer bank of Project Equality. In order to be listed as a Project Equality employer the corporation or business must agree to take five positive steps and to submit to a compliance review. To date the Episcopal Church nationally has not joined this effort, although some dioceses of the Church do belong to this ecumenical venture. It is thus apparent that the real question is not whether a methodology can be found, but whether the Church has the will to offend its racist members and the racism inherent in the heart of American corporate life by speaking the truth and demanding the truth through its investment policy.

It might well be a good thing if the Church were once again to have nothing but the Gospel to proclaim and to dare to be poor. Instead of that, it finds itself with great affluence, great though inconvenient possessions. Trinity Parish in New York has real estate and investments that exceed one hundred million dollars—more than \$1,000,000 for each active member. It is perhaps the richest parish in the world. The endowments of the Church nationally exceed \$300 million, while our Church Pension Fund comes to over \$180 million. It should be obvious by now that the Church is not going to surrender, give up, alter or diminish, or encumber itself for the sake of any one other than itself the very considerable affluence it possesses. Whatever the rich young man did and whatever Matthew the tax collector did, the Church collectively is not prepared to sacrifice much of its collective wealth. Indeed it shows signs of grabbing new wealth for itself. We are heavily invested and propose to remain so. If we are thus an investor, the question must arise whether the process will be carried out by technicians who feel that any way to make money for the sacred institution is justified. We would argue that the Church cannot afford to invest its money

by a process remote from and in isolation from its central convictions about the brotherhood of men and their dignity in the eyes of God. As Bishop DeWitt remarked after hearing the bankers from Chase Manhattan, First National City Bank and the Morgan Guaranty defend their loans to the South African government:

"The more the bankers talked, the more it became clear to me that the only basis for not withdrawing the money would be that 'business is business, politics is politics, and religion is religion, and never the three shall meet.' Incarnational theology can't go along with that."

A SPECIAL REPORT

The Episcopal Church,
The Consortium Banks,
and Apartheid

JULY - 1969

THE EPISCOPAL SOCIETY FOR CULTURAL AND RACIAL UNITY
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THE GOSPEL ACCORDING TO STANDARD AND POOR OR THE GOSPEL FOR THE POOR?
Some reflections on the Episcopal Church's relations with the New York banks.

We were and are, of course, overwhelmed with a sense of relief, joy, surprise and gratitude that the Executive and Finance Committee of the Executive Council voted to disinvest its funds from banks which continue to participate in lending money to the South African government. But in this mood, we are apt to forget that this happy result was not fortuitous; we had to fight for it and if it is to be implemented, we need to understand the powers at work which will tend to make for inertia and abortive implementation unless we carry the fight forward.

A few comments are in order about the way in which the proceedings were organized. We were accused of damaging the image of the church unnecessarily and of impugning the motives of the Executive and Finance Committee. From our point of view, we have felt that the church only seems to move when the spotlight of public scrutiny is on its proceedings. We are not blaming any one in the 815 bureaucracy for desiring to have a favorable public image if the good public image is deserved. We did not impugn the motives of the committee. We charged, however, that to give three hours of private, unchallenged testimony to the banks gave the bankers an unfair advantage and amounted to subservience to their interests rather than those whose contributions and pensions of ordinary church folk are involved in the investment of these funds. Morgan Guaranty Trust Company, the custodian of the Church Pension Funds, was allowed to testify for the space of a full hour but concerned church people were not only barred from testimony, but excluded from the room. Questions which we had submitted to be asked through the chairman of the committee were not in fact used. We understand the committee's reluctance to risk the banks' withdrawal from the hearing because of their alleged prior understanding that the hearings would be closed to all but the Executive Council. However, we question the necessity in the first instance of discussing a public issue by those whose lives are affected by the decisions without public participation. Even if the banks had refused to participate, the church could have held a hearing and determined the issue on such testimony as was forthcoming.

The men whom the Executive and Finance Committee invited to testify represented three of the most powerful banking organizations in the world. As of June 29, 1968 there were some fourteen thousand banks in the United States, with total assets of \$527 billion dollars. The three banks invited hold 49 billion or ten percent of those assets. First National City and Chase have been virtually tied for second and third rank nationally for the last two years while Morgan Guaranty, about half the size of these two supergiants, is still number five nationally.

Banking is a profitable business. First National City has earned nine percent on its capital funds for 1968 but it was topped by Chase and Morgan Guaranty, which earned 11.8 and 11.3 percent respectively. Their earnings per share have grown steadily at close to ten per cent per year.

It is thus apparent that the banks do not need the profit from South African government loans to survive as profit-making institutions. It is also apparent that a loan of forty million dollars to the South African government is not of itself a very significant amount when viewed in the perspective of such huge amounts of money and resources. In monetary terms, the loan is neither so profitable or costly as to make a significant difference in the banks' earnings.

Why then are the banks so resistant to disengaging from doing business in and with South Africa?
Domestic and Foreign Missionary Society

Free-enterprise seems to require relationships of mutual support and harmony between customers and suppliers. While there is much current talk about a social dimension to business decisions or corporate responsibility for society, it must be interpreted within the larger context of overall profit-making. Very rarely do businesses like banks alienate their largest customers by making "moral" decisions. "Moral" decisions can only be made if they are also, at least in the long run, enhancing the profit of the company.

The role of huge banks in fulfilling the capital needs of the giant American automobile industry requires no documentation. General Motors, Chrysler and Ford are giant consumers of capital. At the same time, they are expanding their operations in other parts of the world. This pattern naturally obtains in South Africa, where cheap labor provides a source of profit not readily attainable elsewhere.

Thus the three major American companies have increased their investment in South African auto production as follows:

General Motors	\$33 million (1963-66 Total)	\$125 million
Chrysler	35 million (1964-66)	60 "
Ford	17 million (post 62)	60 "

The three companies together account for approximately sixty per cent of all automotive and truck production in South Africa.

The board of directors of each of these companies includes men prominent on the boards of the three banks. Thus on the Ford board of directors sits Paul C. Cabot, the Bostonian financier who singlehandedly manages State Street Investors, Harvard's billion dollar endowment and at the same time acts as a member of the executive committee of the Morgan Guaranty Trust Company. Charles Mortimer and Robert S. Oelman are First National City directors. General Motors is closely tied to Morgan Guaranty. They share the services of Henry Alexander, Howard J. Morgens and Thomas L. Perkins. Perkins is also on the executive committee of the bank. But other banks are not represented: John T. Connor of Chase's board and Albert L. Williams of First National City also sit on the councils of GM. Chrysler's board is tied closely to Manufacturers' Hanover; in fact, the chairman of the executive committee of each serves on the other's board. Morgan Guaranty shares a co-director on Chrysler's team, Mr. L. F. McCollum.

We suggest that the banks' loan to the South African government is intended to secure the stability of the regime in order to preserve the enterprises like the auto makers who are good customers of the banks and whose needs and requirements and plans are well known through interlocking directorates. While it is true that the revolving credit has not been much used, its mere initiation after the Sharpeville incident secured the country's rulers against an exodus of capital and provided a measure of financial flexibility.

Profits are of great importance to South Africans and one would assume that American investment capital is there for the same reason. On March 5, 1965 the Hon. H. L. T. Tasswell, South African Ambassador to the United States boasted that American investment in South Africa was yielding a whopping 17 per cent. "Is there any other country in the world where you can get a better return?" he crowed. What he neglected to say was that these profits are built on the labor of black men who are paid between a fourth and a tenth of what white men are paid for a similar job.

The Credit Arrangement Encourages the South African Economy.

The credit arrangement is intended to make American dollar credits available so that the South African regime can balance its overseas accounts enabling South Africa to buy industrial machinery in America. It might also be used to pay the expenses of European purchases such as jet planes for the South African air force, notwithstanding the American embargo on arms purchases. When we pressed Mr. Meyer, the Chairman of the Morgan Guaranty, on this point, he was unable to deny that this might be done.

The credit arrangement does not stand alone. After the Sharpeville incident, when dozens of peaceful demonstrators were shot, at a moment when world opinion was outraged and businessmen were talking of withdrawing, the First National City advanced money to the government's Industrial Development Corporation to reassure business and stay the flight of capital.

The effect of the presence and involvement of the banks on the welfare of South Africans

At the December meeting of the Executive Council, Mr. Charles Bound, with the backing of the Presiding Bishop, argued successfully that banks such as his (Morgan Guaranty) should stand in no worse case than other corporations that do business in South Africa. Lending money was simply the business they were in. Thus the Executive and Finance Committee was faced with the absurd task of weighing whether a direct loan to an oppressor regime would promote the education, family life, labor-management relations, collective bargaining, increased skills integration, equalized wage scales, pensions, social security, hospitalization and the breaking down of the pass law system and other restrictions and thus be "positive"! To devote three hours to hearing how this could be true must have been truly a feat of endurance.

Actually, two of the three banks do a growing banking business in South Africa. Chase owns a substantial share in the prominent chain of Standard Banks and First National City has its own subsidiary which operates five branches in cities of Apartheidland. For this reason, in view of the agreed criteria, these banks could have been pressed for details of their operations in South Africa which were pertinent to the welfare of black South Africans as established by the criteria set by the Council. Friendly observers told us that the Committee's questioning of the banks was not probing in this fashion. The banks' representatives were not asked for the details of black employment in their South African ventures. They proceeded to justify their involvement on the ground of prosperity as a liberating factor.

Such arguments are at best a rationalization. It is, of course, true that where a shortage of skilled labor exists the Job Reservation rules may be circumvented or ignored. But these temporary respites have not led to any permanent change in the general legal structure which insures white privilege, black exploitation and a profit-oriented economy. Apartheid may not make economic sense in terms of long-range profits but that argument is hard to hear when one can make 17 per cent profits, or greater. Meanwhile the forces that make for black revolution grow stronger and African leaders like Kenneth Kaunda predict race war as inevitable. So it is fruitless to argue that prosperity will free the black race in the long run, just as it was highly debatable to argue that slavery in our own South might have collapsed of its economic insanity. Black people are no longer willing to wait.

What is the Church's Investment in the Banks?

The church maintains a payroll account at the Chase and an overseas remittance account at First National City. Amounts vary from time to time with fluctuations in payments and requirements. Probably these two together work out to something like a million and a half dollars in checking and time deposits.

The Episcopal Church's central endowment trust funds have shown a continued increase in investment in New York banks in the last 2 years. Notwithstanding the serious questions and criticisms raised by the Creighton Committee, the committee on trust funds increased its holdings in securities of New York banks from five per cent of the total portfolio to 7.6 per cent in the period Dec. 31, 1966- Dec 31, 1968. It added 5,500 shares of Bankers Trust Company, another participant in the consortium arrangement, added shares of Morgan Guaranty and increased its ownership of capital notes of both Chase and National City. Nothing could better illustrate the way in which social policy and debate is divorced from the decision-making process in making investments, which is in the hands of investment men who understand only the prudential acquisition of more money for the sake of the church's program.

As of Dec. 31, 1968, the investment of the Episcopal Church's trust funds in consortium-loan-participant banks was as follows:

	Market Value
250,000 Chase Manhattan Bank, capital note 4.6%	200,000.
500,000 Chase Manhattan Bank, conv. capital 4 7/8	552,500.
200,000 First National City bk, cv. capt. notes 4%	<u>220,000.</u>
Total Bonds	972,500.
5,500 shares Bankers Trust New York Corp. common	448,250
4,344 " Chase Manhattan Bank Nat. Assn.	351,864
4,428 " First National City Corp.	327,118
265 " Morgan Guaranty Trust Co. of N.Y.	33,655
4,300 " " " " " " "	<u>546,100.</u>
	<u>1,706,987.</u>
Grand Total	<u>2,679,487.</u>

Current prices are probably ten to fifteen per cent less than the above, reflecting the decline in stock and bond prices generally since January.

Questions must now be raised by concerned groups, particularly clergy, as to whether the Executive and Finance Committee's courageous action will be implemented by other elements in the church structure:

- Does the decision cover Bankers Trust stock?
- Will the Pension Fund do anything about its holdings?

As we have seen, there is a Berlin Wall between social-liberal rhetoric and the investment process and their respective managers.

Potentially, the Church Pension Fund with its 180 million portfolio presents a much greater point of leverage on the banks than the trust funds directly under the supervision of the Executive Council. But there is as yet no sign that the Presiding Bishop, the Council or the officials of the Pension Fund intend to take the initiative in this matter. They will respond to carefully articulated protest and pressure, but it seems to take just that plus the light of publicity to get them to move.

These were the current holdings of the Pension Fund as of Dec. 31st, 1968 to which the policy of disinvestment ought to be applied:

\$1,800,000. Chemical Bank New York Trust Co.	Market Value
capital notes 5 7/8s of 1992	1,494,000
1,050,000. First National City Bank N.Y.	
CV Cap. Notes, 4 \$ 1990	1,155,000
12,000 shares Chase Manhattan Bank	972,000
	<u>3,621,000.</u>

Not only are these holdings involved; there are other entanglements. The Morgan Guaranty Trust Company acts as custodian and investment supervisor for the fund, at a fee which neither Mr. Bound nor Mr. Meyer, the chairman of the board of the bank, could discuss. The annual report of the fund does not disclose the fee. In all probability it is around 1/2 of one per cent of the fund or 900,000 dollars. The fund's investment committee includes such prominent bank-connected men as Avery Rockefeller of Dominick and Dominick, Daniel P. Davison, Vice-President of Morgan Guaranty and others with "sound financial" backgrounds. The investment committee meets at the offices of Morgan Guaranty. Bishop William Lawrence, the proponent of the original pension fund scheme, did not dare to propose the scheme to the General Convention of 1910 until he had won the backing of J. P. Morgan. J. P. Morgan's son, J. Pierpont Morgan, was appointed the fund's first treasurer. "This policy of appointing leading outside businessmen to help guide the Fund's activities continues to this day. At present, the Fund's trustees include men prominent in law, industry, insurance and investments." (1967 Annual Report of CPF) It is no wonder that the church is reluctant to press the question of the social morality of South African investment when the very management of its funds is in the hands of the financial power elite which underwrites South African capital investment.

The Issues

What difference will it make to the banks that the church has raised the issue of loans to South Africa?

The amount of the church's holdings is a tiny fraction of the outstanding equities or bonds of any of these banks; its custodian fees make it a fairly large institutional customer but the church is only one of many such. Nevertheless, large financial institutions do pay attention to the discontents of their customers when they represent the views of a large number of other customers. To have the church opposing the bank puts a question mark before all of the publicity about Coporate Good Guys who Give a Damn by opening street academies in Harlem and whose rate of hiring minority groups is somewhat better than the 100 major corporations of national prominence who make their headquarters in New York. (Neither one is anything really spectacular)

The banks are well aware that bad publicity is bad for business and that is precisely why they did not want to have an open hearing with the press present. The church, far from capitalizing on this leverage, bent over backwards not to reveal its decision on May 23d and imposed a news blackout until noon the next day so that the banks could be notified by telegram. The ostensible reason for the blackout was to enable the decision to be telegraphed to the banks. However, the banks being closed on Saturday, it was hard to see how any one would have read them until Monday or why a telephone would not have been just as courteous. Thus an opportunity for effective publicity was not fully captured.

The decision nevertheless had an encouraging effect on other groups. The United Church of Christ joined the Episcopal Church within a month of its decision in threatening to withdraw funds. Methodists who had joined with us at 815 to support our demands were able to make stronger arguments when their Board of Missions met.

The banks involved may very well not pull out of their consortium loan agreement. Nevertheless, our church has played its role of Watchman who sees the coming events, the race war coming as a result of injustice and the denial of humanity to blacks and who prophesies to the powers that be. The issue is not whether the church should be pure: she is impure being part of an impure world, dependent upon exploitative structures for her money. Yet she has tried by this action to break down the partition between her moral values and the investments she holds. If the banks will not listen, then the church must go to the government to seek changes which will discourage investment in apartheid.

Most importantly, the decision of the church will have an impact in Africa. Black South Africans will recognize and respond to this signal that if their revolutionary struggle begins, there will be those who have already faced the issues and are prepared to fight American intervention. Black churchmen there will know that there is hope within their own brotherhood.

The mission of Jesus is continued in this decision. Rhetoric has been implemented by act, a prophetic parable, proclaiming that men shall be freed from indignity, that the promise of liberation shall be made good, that those who put money first as of ultimate importance will lose.

The Decision Could Lead to Greater Changes

Now that the decision has been reached, it remains to be implemented. This will not come about without pressure on bishops, on diocesan councils and financial committees to utilize the criteria developed by the Executive Council in selecting investments, in disinvesting publicly from the banks, etc. The national staff is not moving on this though they could supply some material that they were directed to furnish last December. The Executive and Finance Committee's action should provide the lead that may be needed.

Secondly, the Executive Council should be pressed to extend the criteria adopted to analyze South African operations. It is a little ludicrous to ask for data on the welfare of black South Africans as affected by employment patterns of companies in South Africa without asking for similar data from domestic corporations. The United Church of Christ and the Presbyterians have adopted such criteria, Project Equality has data. Pressure which the individual cannot exert could be exerted on the government to give us data on companies such as Dan River Mills, Burlington Industries, the many southern utilities now in our portfolios, the U.S. Steel and Bethlehem Steel corporations and others. The refusal of companies to supply detailed data should be prima facie evidence of discriminatory practices.

Thirdly, church people need to support the principle of reparations for the economically exploited. The facts of poverty are now so well documented that they need no further exposition. What has been lacking so far is any concerted willingness to turn over a portion of the church's unquestioned wealth. Episcopal parishes have over 300 million in endowment funds. Exact figures are not available for real estate holdings but a high official of our church estimates that Trinity Parish in New York City alone holds as much in real estate as the value of foregoing endowments. One authority has estimated total Protestant real property holdings at 28 billion dollars. Surely not all of this is needed for vital religious work. We agree with the World Council of Churches statement made in London this May:

"We urge religious insitutions to divest themselves of their excessive material wealth by immediately allocating a significant portion of their total resources, without employing any mechanism of control, to organizations of the racially oppressed."

Edgar Lockwood, Chairman
ESCRU Task Force on Investment
and Economic Policy