

## Mueller Policy Paper #6: Institute Investment Screens on Companies which are Counter to Penn State's Mission

Penn State's Mission is to improve the lives of people in Pennsylvania, the nation, and the world through integrated, high-quality programs in teaching, research, and outreach. But we are also a business – and like other businesses we invest money (\$732.6 million endowment) to finance our many programs. Penn State currently invests this money to guarantee the highest return – and thus may unwittingly support corporations whose practices and aims conflict with our mission. It is inappropriate for educational institutions like Penn State to profit from companies that are counter to our mission.

Consider the case of tobacco. Cigarette smoking is responsible for more than 400,000 deaths each year, or one in every five deaths in the U.S. Additionally, if current patterns of smoking persist, over 5 million people currently younger than 18 will die prematurely from a tobacco-related disease. On the University Park campus, 43% of undergraduates are current smokers, which is higher than the national average for this age group. If Penn State were to invest in any company involved in the tobacco trade – rather than improving life we would be destroying life.

Smokers are not the only ones the tobacco industry harms. Secondhand smoke has been classified as a Group A carcinogen by The Environmental Protection Agency, a rating used only for substances proven to cause cancer in humans. Each year, an estimated 3,000 nonsmoking Americans die of lung cancer and up to 300,000 children suffer from respiratory tract infections because of exposure to secondhand smoke. Evidence also indicates that exposure to secondhand smoke causes heart disease. Penn State has wisely banned smoking in campus buildings to protect the health of all Penn Staters from the dangers of tobacco smoke

Paralleling this enormous health toll is the economic burden tobacco use creates for society: more than \$75 billion in medical expenditures and another \$80 billion in indirect costs. The estimated economic costs of smoking for the Commonwealth of Pennsylvania alone is over \$4 billion. At Penn State this negatively affects the cost of health insurance for our employees. In addition, Penn State must invest one worker-year cleaning up cigarette butts on campus.

Tobacco also takes a heavy toll on the environment. Tobacco, as a crop, is responsible for damage to ancient forests, soil depletion, and pollution from pesticides and fertilizers. Tobacco contributes to deforestation because large quantities of wood are used as fuel to dry it. Tobacco depletes soil nutrients such as nitrogen, phosphorus and potassium at higher rates than any food crop. It is particularly potassium-hungry, absorbing up to six times as much as other crops. Tobacco is a sensitive plant prone to many diseases. It therefore requires huge chemical inputs: up to sixteen applications of pesticide are recommended during one three-month growing period. Cigarette and cigar making produces large quantities of waste in the form of tobacco slurries,

solvents, oils and greases, paper, wood, plastics, packaging materials and airborne pollution - as well as toxic chemical waste. In the United States, tobacco is a leading industry in the production of chemical waste.

Penn State University should screen its investments to eliminate financially supporting companies who profit from the sale of tobacco for the following reasons:

- **Public Health:** It is unconscionable for Penn State to profit from a product which is harmful to the constituency it serves – one causing the illness and death of so many people;
- **Breach of Public Trust:** Penn State should be concerned about investing in a company whose executives have lied to Congress and misled the public about product safety and industry practices (in reference to documents released in recent trials and hearings);
- **Environmental Degradation:** support of any product which needlessly devastates the natural environment is counter to Penn State's Ecological Mission.

Penn State will not be the first institution of higher education to adopt such policies. Several universities including: Harvard, Johns Hopkins, Haverford, and Northwestern University have all refused to invest in companies that manufacture tobacco products.

Since tobacco represents such a small portion of the market, it is not difficult for a competent manager to construct a broadly diversified tobacco-free portfolio or achieve competitive returns from tobacco-free investments.

### Policy Suggestions:

- Divest of all existing tobacco holdings, and establish a policy of prohibiting all future purchases of tobacco-related securities. This screen would exclude all companies which manufacture, process or market any tobacco product (e.g. cigarettes, cigars, chewing tobacco, smokeless tobacco, etc.); companies which supply key component elements (e.g. cigarette papers, flavorings, adhesives, etc.); and substantial retailers and wholesale distributors of tobacco products.
- Set up a broadly based committee to investigate other classes of companies or specific companies which are counter to the Penn State mission (e.g. land mine manufactures, delinquent superfund site polluters, and terrorist organizations).

### References:

[www.socialinvest.org/areas/research/tobacco/](http://www.socialinvest.org/areas/research/tobacco/)  
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