



By Robert N. Stavins

## Fossil Divestment: Warranted & Wise?

Over the past few years across the United States, there has been a groundswell of student activism pressing colleges and universities to divest their holdings in fossil fuel companies from their investment portfolios. On October 3, 2013, after many months of assessment, discussion, and debate, the president of Harvard University, Drew Faust, issued a long, well-reasoned, and — in my view — ultimately sensible statement on “fossil fuel divestment,” in which she explained why she and the Corporation (Harvard’s governing board) do not believe that “university divestment from the fossil fuel industry is warranted or wise.” I urge you to read her statement, and decide for yourself how compelling you find it, and whether and how it may apply to your institution as well.

About 10 days later, two leaders of the student movement at Harvard responded to President Faust in *The Nation*. Andrew Revkin, writing at the *New York Times’s* Dot Earth blog, highlighted the fact that the students responded in part by saying, “We do not expect divestment to have a financial impact on fossil fuel companies. . . . Divestment is a moral and political strategy to expose the reckless business model of the fossil fuel industry that puts our world at risk.”

I agree with these students that

fossil-fuel divestment by the university would not have financial impacts on the industry, and I also agree with their implication that it would be (potentially) of symbolic value only. However, it is precisely because of this that I believe President Faust made the right decision. Let me explain.

First of all, if divestment would at best be a symbolic action, without meritorious direct financial impacts, can it not nevertheless be important and of great value? More broadly, can’t symbolic actions be valuable? One major problem is that symbolic actions often substitute for truly effective actions by allowing us to fool ourselves into thinking we are doing something meaningful about a problem when we are not.

But even if there are such opportunity costs of symbolic actions, can they not still be merited as part of moral crusades (as the students would presumably argue)? The answer is, in my view, yes. The problem, however, is that climate change is fundamentally a scientific, economic, and political challenge. Viewing it as a moral crusade, I fear, will only play into and exacerbate the terrible political polarization that is already paralyzing Washington, a topic about which I have written previously in this column.

The next key issue is that divestment of fossil fuel stocks would hurt, not help, efforts to address global climate change.

First, natural gas is the crucial transition fuel to address climate change. A major reason for the drop in U.S. CO<sub>2</sub> emissions is the increased use of natural gas to generate electricity, as documented in a recent report from the U.S. Energy Information Administration.

Second, even if divestment were to reduce the financial resources of coal, oil, and gas companies (which it would not do), this would only

serve to reduce research and development at those same companies of carbon capture and storage technologies, as well as other potential technological breakthroughs, and could reduce the development of some renewable sources of energy (which the fossil fuel companies are carrying out as part of their financially rational diversification strategies).

Most important, as I have argued for years, including in this column, Harvard’s real contributions to fight climate change and promote sound global warming policies will be through our products: research, teaching, and outreach. That is how great universities have made a difference on other societal challenges for decades, indeed for centuries, and it is how we will make a real difference on this one.

So my suggestion to students who are reasonably concerned about how my university (or others) may affect climate change is that their greatest attention should be given to university priorities and performance in the realms of research, teaching, and outreach.

More broadly, we need to focus on actions that can make a real difference, as opposed to actions that may feel good or look good but have relatively little real-world impact, particularly when those feel-good/look-good actions have opportunity costs — that is, divert us from focusing on actions that would make a significant difference. Climate change is a real and pressing problem. Strong government actions will be required, as well as enlightened political leadership at the national and international levels.

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