

Oberlin College Board Response to Student-Initiated Proposal for Divestment

August 14, 2024

Summary and Decision

On April 18, 2024, as college campuses across the country experienced a range of student protests over the conflict in Israel and Gaza, six students submitted a proposal entitled “Student-Initiated Proposal for Divestment: To Recommend Divestment from Companies that Facilitate the Israeli Occupation of Palestine” to Oberlin’s Board of Trustees. The students indicated in the proposal that the submission benefited from the advice of Oberlin alumni concerned about the conflict. The proposal included sections on context, a case for divestment, the students’ evaluation of community sentiment, and a 16-page list of companies from which they sought disinvestment.

Prior to receiving the proposal, the President, other senior administrators, the Chairman of the Board of Trustees, and the Chairman of the Investment Committee held several meetings with the students to discuss their concerns over events in Israel and Gaza and the perceived connection between these events and Oberlin’s endowment. After receiving the student proposal for divestment, the Board Chairman initiated the Board’s formal evaluation process.

On June 6, 2024, the Board’s first meeting after the proposal submission, trustees held a robust and lengthy discussion of the proposal, including examination of the Board’s duties to safeguard and strengthen the institution; history and precedent; the conditions laid out in Oberlin’s divestment policy; information provided by the Investment Committee; the potential impact on Oberlin’s ability to deliver on its mission; and the Board’s fiduciary responsibilities. The Board voted against adopting the divestment proposal for reasons articulated below.

Process

In 2014, the Board adopted a policy guiding proposals for divestment, providing members of the Oberlin community with a formal path for proposing divestment, and clarifying criteria the Board will use in evaluating those proposals. This policy allows submitting individuals to propose how Oberlin’s endowment ought to be invested, irrespective of the issue motivating the proposal, so long as the proposal is constructed in accordance with the divestment policy.

The Board’s consideration of the proposal is an acknowledgement of the proponents’ adherence to the policy’s submission requirements.

In keeping with the process established for divestment proposals, the Executive Committee of the Board asked the Investment Committee to provide the Board with information regarding the potential impact of the proposed divestment on the College's endowment. The Investment Committee provided this information to the Board, and the Board evaluated the proposal according to the conditions laid out in its divestment policy, including trustees' fiduciary responsibilities for Oberlin's fiscal health and its ability to fulfill its core mission.

The Board's responsibility to deliver its decision in writing to the individual(s) submitting the proposal

Under the divestment proposal process, "the board then delivers its decision in writing to the individual(s) submitting the proposal." The board may choose to share its decision with other members of the Oberlin community.

The work students and their advisors have put into this proposal testifies to the depth of their concerns about what is occurring in Gaza and Israel. It demonstrates an appreciation of the nature and purpose of an endowment that has been absent from discussions of divestment across the nation, and it reflects well on the rigor and critical thinking that is central to an Oberlin education.

The Board understands the strongly held views about the war in Gaza. This is evident from the online survey results accompanying the proposal, which included 1,630 responses from students, 94 percent of which support divestment. The proposal also cites a letter signed by 1,200 alumni, and two other letters signed by a total of 160 students.

The Board also knows that the Oberlin community is broad, with more than 40,000 alumni, nearly 3,000 students, and faculty, staff, and friends. Many in our community support divestment, and many oppose it. Feelings understandably run deep on all sides of the issue. This is why Oberlin's most senior trustees and administrative leaders held many hours of meetings with students advocating for divestment and with faculty, staff, and alumni who oppose divestment. In meetings with divestment proponents, Board and administration leaders sought to hear and understand the students' intentions and perspectives; explain how students could make their case to the Board of Trustees in accordance with the divestment policy; and foster a mutual understanding of the purposes and nature of Oberlin's endowment.

This is why we want to communicate our decision clearly and broadly and to provide a rationale for the decision.

The proposal presents the following argument for divestment:

- that the conflict between Israel and Hamas has caused thousands of lives to be lost in Israel and Gaza, almost all of them innocent lives;

- that Oberlin may have a financial connection to this conflict if the endowment is invested in funds that have or could have investments in companies that could be connected to Israel, its military, or Israeli settlers in the occupied Palestinian territories;
- that such a connection could be construed as an unacceptable form of complicity in the war in Gaza, even if this complicity is unintentional; and
- that divestment from these funds would limit Oberlin's complicity and align Oberlin's endowment investments with its mission, and might also encourage other institutions to follow suit, amplifying the impact of divestment.

Engagement versus disengagement

Divestment is a form of economic and financial disengagement from parts of the world we inhabit, in this case from companies believed to be complicit in what the submitting individuals of a divestment proposal find is objectionable behavior (e.g., the war in Gaza, fossil fuel production). The Board believes there should be an extremely high bar for deciding to disengage, since Oberlin's mission is to equip students to be active participants in the struggles to confront the world's most difficult challenges. Disengagement is, on its face, inconsistent with this mission.

This does not rule out disengagement. Instead, it demands that we make sure that disengagement would have a greater impact than engagement without imposing an undue burden on the institution.

The Board does not believe that this threshold has been met. Accepting this proposal could substantially limit our ability to deliver on Oberlin's mission, namely, by reducing our financial resources and restricting critical discourse, as described below. The burden it would impose on Oberlin could be substantial and out of proportion with the direct and indirect impact of divesting.

Influencing company behavior directly

Oberlin cannot exercise direct influence over the companies listed in the student-initiated proposal, as the endowment does not invest directly in individual companies. As is common for colleges with endowments of a similar size, Oberlin invests in externally managed investment funds (e.g., mutual funds, private equity funds, venture capital funds) selected on the strength of the fund manager, who in turn invest in companies. This proposal would almost certainly require Oberlin to liquidate its investments in these funds, since most fund managers do not give investors discretion over how the funds select investments. Since Oberlin represents only a small portion of total investments in these funds, Oberlin's divestment from these funds is unlikely to have any influence over how these funds are managed.

Financial cost

Few if any fund managers allow investor discretion or screen their investments to satisfy the proposal's non-financial criteria (i.e., a connection with the war in Gaza). Liquidating our investments in funds that could invest in the companies listed in the proposal could impose a substantial financial cost for Oberlin, since the endowment would be left with few if any investment alternatives. Narrowing the pool of investible companies (which is the natural consequence of limiting the universe of investible funds) could lower financial returns and increase the risk of these returns (because the endowment would be less diversified). The proposal could also restrict Oberlin from investing in broad market indices, such as the S&P 500, whose constituents include companies listed in the proposal, further limiting the endowment's capacity to manage exposure to market-wide volatility.

Over the past five years, Oberlin's endowment has provided roughly \$250 million in budget support to the College and Conservatory, equal to about 25% of the institution's operating budget. Any material reduction in this support would deprive Oberlin of the resources to provide financial aid and scholarship support to students, to compensate faculty and staff, and to significantly support the institution's core mission. It is in this sense that accepting this divestment proposal would raise serious concerns regarding the trustees' fiduciary responsibilities (including under law).

Alignment with Oberlin's liberal arts mission

Trustees also considered whether agreeing to divest would in other ways advance or impinge on Oberlin's mission, which is to offer students, faculty, and the rest of the community a place where liberal arts education fosters discourse, debate, disagreement, and even dissent – the hallmarks of a liberal arts education.

The Board believes firmly that students, faculty, and other community members should be able to express contested views, including by submitting divestment proposals to the Board. Yet there is an important distinction between the submission of a proposal and its adoption. The proposal's submission contributes to critical discourse we associate with the liberal arts tradition. By adopting the proposal, however, the College would be taking a clear institutional stand on one side of a fraught and contested issue that divides the Oberlin community. The Board believes that doing so could constrain critical thinking, discourse, and debate on the subject, which could jeopardize the College's mission.

Basis for considering the proposal

The Board has voted as a governing body with a fiduciary responsibility to Oberlin College, not as a collection of individuals based on their personal views about the war in Gaza. For the Board, the most important question is whether approving the proposal advances or hinders Oberlin's mission.

To decide on this question, the Board must account for considerations that may differ from those that inform individual views on the war and on divestment, including views of individual trustees.

The Board's decision should not be viewed in isolation but, rather, as part of a community-wide engagement that began before the proposal was submitted and will continue after we have communicated our decision. The Board believes that engagement is at the core of Oberlin's mission and critical to identifying effective pathways to improving the world. This approach to our community and the world upholds the liberal arts imperatives that Oberlin proudly stands for: reason, critical inquiry, and empathy and respect for our differences.

It is in this spirit that we hope the Oberlin community will continue to find ways to promote change in society through engagement, bringing to bear the talents of the entire community.