Principles of ALEC Regarding "Proposed Socially Conscious" Investments And Controversial Stock Divestiture

Fund managers have a fiduciary duty to their beneficiaries to maximize returns, and these professionals are fully capable of determining whether, ultimately, returns on controversial stocks are good investments. Government should stay out of these decisions and leave the job of picking winners and losers in the marketplace to the professionals.

Today a particular company or industry may be unpopular, like alcohol or tobacco, but tomorrow's controversy could be animal rights, nuclear power, defense contractors, the oil industry, etc. Many profitable companies have businesses that could become controversial and setting the precedent today of restricting choice to advance some "cause" will only result in fewer choices for fund managers later as activists for more and more "causes" are encouraged to protest the latest politically incorrect investment.

Retirees have a right to maximum returns for their hard-earned dollars. These senior citizens justifiably get very nervous when politicians talk about tinkering with their retirement funds in order to advance a cause rather than increase their retirement earnings. Legislatures should not take actions that interfere with the pension returns of senior Americans just to be politically correct.

Activists often seek immediate divestiture, or wholesale dumping of the stocks or other investments of an entire industry. This could obviously depress the price of these investments held by millions of people and thousands of mutual funds, and cause huge financial losses for millions of Americans, all to justify the preferences of a few activists. This violates ALEC's Jeffersonian principles of individual liberty, free markets and limited government.


Did you know that global corporation Kraft Foods served as corporate co-chair in 2011?