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Working Capital: The Power of Labor's Pensions
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This 273-page edited collection makes an important contribution to understanding the role of pension funds in the U.S. economy and the potential for social investment of pension funds. The book synthesizes three traditions: pension-fund investment, the role of unions in pension fund investment, and social investment. It bears mentioning that these are distinct traditions because the field of social investment has proceeded largely independent of both unions and of pension-fund investment. This book succeeds in creating a synthesis between these traditions. Not only does it describe how unions are becoming increasingly involved in pension-fund investments, it also envisages how this role might be expanded further.

The book reflects the change of the union movement's traditional role of bargaining labour rights only and broadening its mandate to become interested in issues related to capital. There are many manifestations of this change: the growing employee-ownership movement, including unionized firms; the growth of union-based capital investment strategies, including economically targeted investments and, in Canada, labour-sponsored investment funds; and increased interest in pension funds, both their governance and investment. With the exception of the employee-ownership movement, these issues are discussed in some depth in *Working Capital.*

Appropriately, the papers for *Working Capital* are drawn from the Second National Heartland Labor Capital Conference in 1999. As explained in a foreword to the book by Leo Gerard, the International President of the United Steelworkers of America, the Heartland Labor Capital Project, which led to the conference, came about because of the difficulty that he had in raising $5 million for a "small but productive steel plant" in Pennsylvania. "I thought that it would be easy to find $5 million for investment in a solid U.S. company, generating a good rate of return. It wasn't. I found others equally concerned that the current operations of financial markets undermined the very workers whose savings they deployed." Gerard's views reflect a growing sentiment by the union community in countries such as the U.S. and Canada to influence the investment of capital, and particularly, pension funds, since these are the deferred earnings of workers, a portion of whom are unionized. In Canada, for example, in 1986 the Canadian Labour Congress adopted a resolution that "endorse[d] the goal of organized Canadian workers achieving greater control and direction of the investment of pension funds" and followed this with a similar resolution at its 1990 Congress. In the U.S. and to some extent in Canada, the United Steelworkers of America have taken the lead in utilizing worker ownership strategies to save jobs; for example, the buyout of Algoma Steel in 1994.

The book skirts around some problematic points. For example, in the U.S. in particular, the portion of unionized workers is small and declining. Therefore, much of the "$7 trillion of deferred wages" that are pension fund assets are not associated with unionized workers and also includes the deferred earnings of management personnel as well. In addition, with the exception of the chapter by Tessa Hebb and David Mackenzie about labour-sponsored investment funds in Canada, the book also skirts around divisions within the union movement about becoming involved in investment policies. In Canada, for example, the Canadian Auto Workers have fought a bitter battle against worker capital strategies in part because they are seen as undermining labour's traditional role in bargaining for workers' labour rights. However, one of the interesting points made in *Working Capital* by Marlene O'Connor, a law professor, is that "union pension power can also assist workers in strike settlement intervention" (p. 72). She also provides examples of how "union-shareholder activism benefits workers by ensuring that anti-union managers do not become entrenched" (p. 72) and how union influence over capital forced a company to stop dealing with an anti-union supplier.

The O'Connor chapter is about shareholder activism, one of the manifestations of social investment. The chapters in this collection deal with other important manifestations of social investment—socially screened investment and economically targeted investment.

Socially screened investment is probably the best known type of social investment. Eric Baker and Patrick McVeigh's essay on socially screened funds in the U.S. is an interesting account of their history, pointing out that they go back to at least 1928, when the Pioneer Fund prohibited all investments in the alcohol and tobacco industries. Baker and McVeigh of Trillium Asset Management also point out that social screens now have become mainstream and embrace one-eighth of all investments in the U.S., or $1.5 trillion in 1999. As they indicate, screening is of two general types: exclusionary or negative sanctions and positive. In recent times, the best example of an exclusionary screen was the disinvestment campaign in South Africa under Apartheid. Positive screens involve the channelling of capital into mutual funds that invest in firms with the best practices. Such funds can be specific to a particular objective (for example, environmental improvement) or more general in that multiple screens are applied and the "best of class" are selected. Baker and McVeigh note some of the limitations of the more general ethical funds in that they tend to pick up some of the pillars of the economy; for example, Microsoft, Intel, chartered banks in Canada. Perhaps they might have noted this limitation more forcefully. Relatively few pension funds apply social screens and, in general, the funds that apply them are conventional ethical funds with which unions are not necessarily associated. Those limitations notwithstanding, the Baker/McVeigh chapter is illuminating.

The book has several chapters on economically targeted investment (ETIs), though it is not referred to as such in all of them. Of all the forms of social investment, the labour movements is most involved in ETIs. In addition to the aforementioned Hebb/Mackenzie chapter on labour-sponsored investment funds in Canada, there is an essay by Michael Calabrese of the New American Foundation, "Labor-Friendly Investment Vehicles," that provides an informative discussion of the various vehicles that are being used, including union-based pension funds. There is also a more analytic piece by Jayne Zanglein of the George Meany Center in Washington, D.C., that discusses some of the misconceptions surrounding ETIs, and evaluates their performance.

The final chapter in the collection from Damon Silvers, William Patterson and J.W. Mason (all of the AFL-CIO) presents a vision for the future. Their discussion includes trustee and beneficiary education, fund governance, organizing worker capital globally, and greater accounting disclosure. This latter issue is of great importance since current accounting practice views the shareholder as the sole stakeholder in the statements that are produced. The Silvers, Patterson and Mason paper might have moved this issue further. The challenge is not simply to make the current statements more transparent but to utilize accounting frameworks, such as the value added, that are based on multiple stakeholders, such as the employees, and that broaden the base of what counts so that impacts on the community—both positive and negative—are part of the accounting process. This will require creating comparative market value for non-monetized impacts.

These reservations notwithstanding, *Working Capital* is must reading for anyone interested in the change occurring in the labour movement in dealing with issues of investment. The book is scholarly and informative, but also readable. All of the essays make a useful contribution to the discussion.

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