



POLICY PERSPECTIVES

A Sign of Things to Come?

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There's a war raging across the world. Not the war on terror—but a war against corporations, waged by anti-globalization activists and non-governmental organizations (NGOs). A recently ended battle in that war says a lot about who is winning.

In 2000, the tax-exempt Rainforest Action Network declared war against Citigroup, the financial powerhouse. According to Guidestar, the national database of non-profit groups, RAN has net assets of \$1.2 million. Citigroup has \$1.2 trillion in assets. Talk about a mismatch.

But on Jan. 22 of this year, Citigroup and RAN announced a peace pact. Citigroup promised, "to promote higher environmental standards through its business practices," particularly in the areas of "endangered ecosystems, illegal logging, ecologically sustainable development and climate change."¹ RAN's executive director, Michael Brune, was ecstatic: "We can not overstate the importance of changing such a vast enterprise and look forward to working together with Citigroup in the coming years." In a nutshell, Citigroup will, globally speaking, no longer lend money to various sorts of projects offensive to environmentalists.

Here are some highlights from the anti-Citigroup campaign:

- In 2000, as part of its opening salvo, RAN organized a multi-campus campaign that encouraged university students to fax form letters complaining about Citigroup's lending practices to the company's head offices.²

- In April 2001, RAN helped coordinate a day of anti-Citigroup action on as many as 50 campuses, which (according to the Village Voice) included "cutting up credit cards, occupying branch offices,

and pressuring college administrators to cancel exclusive contracts with the company."³

- In the winter of 2002, RAN activists suspended a banner across Citigroup's headquarters, which said the company was "banking on" environmental degradation.⁴ Also that winter, RAN delivered 2,500 letters (purportedly written by schoolchildren) to Citigroup, asking the institution to protect the environment.⁵ Later the same year, RAN announced that 20,000 people had cut up their Citibank credit cards and sent the debris to RAN's offices to voice their disgust with Citigroup.⁶

- In 2003, RAN started running TV ads criticizing Citigroup that featured celebrities such as Susan Sarandon, Ali MacGraw, Ed Asner and Daryl Hannah. This proved too much for the company—it agreed to open peace talks, so to speak. RAN was exhilarated; but as a spokeswoman said, "if we don't see action in the next few months, we have to return to an external campaign."⁷ Earlier that year, RAN activists suspended an anti-Citigroup banner from the company's New York headquarters.⁸

Is this just the start of series of additional campaigns by RAN? Possibly. RAN now has Bank of America Corp. and J.P. Morgan Chase & Co. in its gun-sights. A RAN spokeswoman has said that "it's hard to say exactly when" RAN will assault these banks, "but what you can be sure of is that we will engage in a hard-hitting campaign [if they] fail to see the writing on the wall that these policies [adopted by Citigroup] are the way of the future."⁹

RAN is coy about its vision of the future. When it kicked off its campaign against Citigroup, a spokesman said, "It's not like our job is to have all the answers."¹⁰ A year later, RAN was a bit more explicit about its long-term objectives. "We're looking," another spokesman said, "to reorient the

financial services industry to target investments in sustainable agriculture.”¹¹ Wow—will organic farming become the next big thing, now that the dot-com bubble has burst?

Question: Can corporations learn how to fight and win these sorts of struggles? The jury is still out.

Some analysts have said that a major corporate awakening is only a matter of time, such as Alan Rugman, a professor of business and fellow of the University of Oxford (in England). In a 2001 article for the prestigious Financial Times, Prof. Rugman predicted businesses will learn to use the “legions of MBAs” who graduate each year from top business schools in Europe, Asia and North America as a weapon against the NGOs. “All these graduates,” he wrote, “want jobs, in consulting, investment banking, corporate management, and so on.” These newly minted MBAs, Prof. Rugman said, “will be articulate defenders” of business in the face of NGO attacks.¹² As a result, corporations will drop the typical “go-along-to-get-along,” “split-the-difference” response to NGO attacks. These B-school Young Turks will start fighting back by attacking the NGOs’ credibility, going to court to obtain cease-and-desist orders against protests, etc.

There are others, however, who would wonder if Prof. Rugman is too optimistic about corporations’ capacity to fight back. Take, for example, what journalists John Micklethwait and Adrian Wooldridge had to say about today’s generation of globe-trotting corporate managers (which they dub the “cosmocrats”) in their book *A Future Perfect* (2000). The cosmocrats don’t like politics much—politics “seems to put them off.” They want to avoid

long, drawn-out battles for public opinion. As Micklethwait and Wooldridge jokingly put it, “if there is ever to be a great battle about globalization, then the people one might have expected to form the heart of the defense will probably be on a plane somewhere.”

Wooldridge and Micklethwait may be on to something. The famous economist Joseph Schumpeter predicted the emergence of a managerial class similar to the cosmocrats. Schumpeter claimed that as a capitalist economy matures, there is less and less room for daring entrepreneurs—pride of place goes to managers instead. The managers may work in the same companies founded by the entrepreneurs, but they lack the founders’ commitment to the enterprise. As a result, Schumpeter theorized, the managers’ “moral allegiance” to capitalism would be weak. The cosmocrats may like the private sector and support capitalism, but their moral allegiance to it is weak. As la the management of Citigroup, they may prefer to compromise rather than fight NGOs—compromise being a lot cheaper in the short-term.

If you agree with Messrs. Wooldridge, Micklethwait and Schumpeter, you may be tempted to see Citigroup’s capitulation as a sign of things to come. Unless the scenario of growing resistance on Wall Street described by Prof. Rugman, you may very well be proven correct.

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¹ “Rainforest Action Network and Citigroup Announce Enhanced Citigroup Environmental Policy,” PR Newswire, Jan. 22, 2004

² Weir, William. “Yale Students Protest Bank’s Lending Practices.” Hartford Courant, B1, Sept. 27, 2000

³ Boyd, Andrew. “Spank the Bank. Village Voice, Apr. 17, 2001, pg.57-59

⁴ “Major Banks Will Adhere to Environment Standards.” Michael Phillips. Wall Street Journal, Jun. 4, 2003, UKA1

⁵ “Nation’s Children Plead With Citigroup to Stop Destroying Rainforest”, PR Newswire, Dec. 19, 2002

⁶ Cohn, Laura. “The Enviros Try An End Run Around Washington.” Business Week. Dec. 16, 2002

⁷ “Citigroup, activists call truce in dispute.” Stein, George. Montreal Gazette, April 17, 2003, B7

⁸ “Stunt Protest Makes New Yorkers Consider Citigroup’s Rain Forest Record.” Knight Ridder Tribune Business News. Feb. 21, 2003

⁹ Group Gets Citi Pact, Targeting Others. Robert Julavits. American Banker, Jan 23, 2004 p20

¹⁰ Cook, Karen. “Will the Citi Ever Weep?” Village Voice, New York, Apr. 4, 2000, pg. 53

¹¹ Trofimov, Yaroslav. “Globalization Protestors Plan to Target Companies.” Wall Street Journal, July 23, 2001, pg A16

¹² Rugman, Alan. “The Illusion of the Global Company,” Financial Times, Jan. 8, 2001, p2