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BUSINESS

By ALAN MURRAY



Scandals Leave Big Banks Vulnerable

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I have nothing against rainforests.

But I did get disturbed when I read that the Rainforest Action Network had enlisted second-graders in its campaign against big banks. The Rainforest group took children from the area around Greenwich, Conn. -- home to **J.P. Morgan Chase's** chief executive, William Harrison -- to the bank's Manhattan headquarters last December to deliver a stack of posters calling on Mr. Harrison, as one poster put it, to "protect the rainforest instead of hurting the Earth for oil."


Five years ago, that sort of stunt would have been ignored by most U.S. companies. The Rainforest Action Network, known as RAN, is hardly a powerhouse. It is based in San Francisco and has only 27 paid staffers and a budget of just over \$2 million -- barely two months' pay for Mr. Harrison. But today, there is a power vacuum in corporate America. Enron, WorldCom, Sarbanes-Oxley and Eliot Spitzer have shattered public respect for big corporations and their leaders and left companies desperate to avoid any risk of further eroding their reputations. For clever groups like RAN, the result is a field day.

TALKING BUSINESS

Should banks let environmental groups

Citigroup was the first target of RAN's Global

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influence their lending policies? Write to Alan Murray at business@wsj.com¹. If you want to share your thoughts but don't want your letter published, please make that clear.

Finance Campaign. RAN had volunteers shadow former chief executive Sandy Weill around the globe. Hollywood stars

Money in Your Pocket." He is also a regular panelist on Public Broadcasting Service's "Washington Week in Review."

Write to Alan Murray at business@wsj.com⁵.

Susan Sarandon, Daryl Hannah and Ed Asner filmed an ad in which they clipped Citi credit cards in half. And schoolchildren (RAN's secret weapon) wrote letters. Here's an excerpt from one that appears on the group's Web site:

Dear Mr. Weill,

My name is Aekta, and I am in the 4th grade at Canyon Rim Elementary. I am studying about the rainforest....I guarantee you that all my relatives will find some other bank, unless you stop lending money to rainforest destroyers.

Embattled over its involvement in corporate scandals, Citigroup eventually gave in and adopted a set of environmental standards, announced jointly with RAN.

Bank of America was next to come under attack. And when it surrendered, it went even further than Citi. Bank of America's environmental policy set an explicit goal of reducing greenhouse-gas emissions by 7% "within our energy and utilities portfolio" -- which seemed to commit its clients to the change.

Now, J.P. Morgan Chase is in the cross hairs. Three RAN activists were recently arrested for putting up "Wanted" posters, featuring Mr. Harrison, in his quiet Greenwich neighborhood. Yesterday, the group mounted a day of action against offices of J.P. Morgan Chase across the country.

In response to the RAN campaign, the bank has already said it will publish a new set of environmental policies by the end of this month.

You may ask: What harm comes from pressuring big banks to pay more attention to the effect their lending policies have on the environment? The banks insist the policies don't hurt their bottom line.

But as RAN ratchets up its efforts, it isn't clear where this ends. I pressed Ilyse Hogue, who runs RAN's Global Finance Project, on how far the group wants these banks to go. "Do I personally not want them to lend to oil companies?" Ms. Hogue responded. "Yes."

Nor is it clear that the group's ambitions are limited to rainforests and greenhouse gases. When I asked Ms. Hogue to tell me what J.P. Morgan Chase had done that was so offensive, she directed me to a Web site, DirtyMoney.org, that excoriates the bank for, among other things, leading a postwar consortium to operate The Trade Bank of Iraq. As for enlisting schoolchildren in the effort, Ms. Hogue has no qualms.

Over time, politicization of bank lending hurts not only the banks, but also the future of the economy. And even people who believe companies need to be more socially responsible ought to worry that denying loans for oil drilling and timber cutting will hurt poor nations desperately trying to pull themselves out of poverty.

But the real secret of RAN's success is that the big banks have neither the courage nor the credibility to stand up to the group. That is the price paid for three years of scandal.

Should banks let environmental groups influence their lending policies? Write to me at business@wsj.com². If you want to share your thoughts but don't want your letter published, please make that clear.

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