

# **Biz -War: Foundation-NGO Network Warfare on Corporations in the United States<sup>1</sup>**

**Jarol B. Manheim**

*The American people understand what liberalism means and don't like it. So our opponents plan to go out to the [voters] incognito. They're putting on political trench coats and sunglasses and will never, even in the lowest whisper, mumble the 'L' word again.*

*George H.W. Bush<sup>2</sup>*

*Traditional liberalism is dead and buried, thank you very much.*

*Marc Cooper<sup>3</sup>*

*The reports of my death are greatly exaggerated.*

*Mark Twain<sup>4</sup>*

It is the argument of this essay that the contemporary 'progressive' or 'progressive populist' movement in the United States, designed to replace the Liberalism whose demise was the object and accomplishment of the Reagan Revolution, is the product of a series of strategic experiments and decisions by activists in organized labor and elsewhere on the Left, guided both by their antipathy to the business community and by their understanding of the forces that contributed to the earlier resurgence of the American Right.

This is an argument, not about competing ideologies per se, but about the strategies and tactics by which one set of ideologues – on the Left – has chosen to contend with its competitors to the Center and Right. It is comprised of five elements. They include (1) a guiding empirical theory of social, political and economic organization; (2) selection of nomenclature and construction of an enemy; (3) construction of an institutional counter-structure; (4) development and adaptation of a strategy of attack; and (5) the waging of a 'social netwar' against the identified target – the corporation as a political and economic institution. We will examine each of these in turn. Collectively, they amount to a new and now pervasive form of conflict between labor and the Left, on the one hand, and the corporate establishment, on the other – a phenomenon I have labeled Biz-War.

## **The Theory: Parsing the Power Elite**

In the 1960s, the New Left of Tom Hayden and Todd Gitlin found inspiration in the writing,

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<sup>1</sup> This essay is based on, borrows from, summarizes and anticipates, the argument developed in Mr. Manheim's forthcoming book, *Biz-War: Anti-Corporate Campaigns and the Reverse Engineering of American Politics*.

<sup>2</sup> Ronald Reagan, 'Remarks at a White House Briefing for Conservative Political Leaders,' *Public Papers of the Presidents*, 24 Weekly Comp. Pres. Doc. 897, July 5, 1988.

<sup>3</sup> Marc Cooper, 'Dissonance: Democrats, No More Whining,' *LA Weekly*, June 22-28, 2001. This is but one of many such declarations.

<sup>4</sup> Cable from London to the Associated Press, 1897.

and the iconoclasm, of sociologist C. Wright Mills, and particularly in his preeminent 1956 book, *The Power Elite*. It was Mills' argument that even as the American polity demonstrated all the trappings of democracy, it was actually dominated by a relatively small cadre of economic, political and military elites who exercised power by virtue of position. As Mills put it,

The power elite is composed of men... in positions to make decisions having major consequences.... [T]hey are in command of the major hierarchies and organizations of modern society. They rule the big corporations. They run the machinery of the state and claim its prerogatives. They direct the military establishment. They occupy the strategic command posts of the social structure, in which are now centered the effective means of the power and the wealth and the celebrity which they enjoy.<sup>5</sup>

Mills proceeded to examine such groups as celebrities, the very rich, chief executives and the corporate rich, and those he termed the 'warlords' and the 'political directorate.' In all of this, he rejected the simplistic class-based notions of the Old Left. He did not see the power elite as a capitalist class, per se, but rather as an organizational elite, one where entry might be facilitated by wealth but where the power resided not in the wealthy, but in the corporations themselves.<sup>6</sup>

In addition to a generation of activists, Mills' work spawned a coterie of scholars dedicated to explicating and delineating the structure and workings of this Power Elite. Of these, two are especially notable. The first, sociologist G. William Domhoff, argued that, in focusing so much attention on institutional elites, Mills had significantly understated the importance of class – especially of a 'ruling class' – as a factor in explaining the power structure of the United States. In his defining work, *Who Rules America?*, first published in 1967, Domhoff identified several criteria for membership in an upper class, then examined the sociological backgrounds of institutional leaders and other key decision-makers. He found that members of what he defined as the ruling class – less than one percent of the American population – constituted between 25 and 60 percent of the directors and partners in the largest banks, law firms and corporations, and dominated the boards of directors of philanthropic foundations, leading universities, major opinion-forming associations, major media and the executive branch of the federal government.<sup>7</sup>

The second scholar, political scientist Thomas Dye, gave diagrammatic structure to this argument in his series of books under the title *Who's Running America?*,<sup>8</sup> in which the argument over class is set aside in favor of a comprehensive examination of the people and institutions who constituted the elite at any of several time points and the mechanisms by which, collectively, they maintained power. Dye argued that corporations and wealthy individuals (whose wealth has generally derived from corporations) support a web of quasi-

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<sup>5</sup> Mills, C. 2000. *The Power Elite*. Second Edition, New York: Oxford University Press, 3-4.

<sup>6</sup> See the analysis in Schneider, E. 1968. 'The Sociology of C. Wright Mills,' in Domhoff, G. and B. Hoyt, Eds. *C. Wright Mills and The Power Elite*. Boston: Beacon Press, 17.

<sup>7</sup> This summary is based on one provided by Domhoff himself in 'The Power Elite and Its Critics' in Domhoff and Ballard, Eds. 1968, 269.

<sup>8</sup> Dye's book has been published in seven editions to date, all of which maintain the same main title, but each of which bears a different subtitle to reflect its era. The first edition, published in 1976, was titled *Who's Running America? Institutional Leadership in the United States*. Englewood Cliffs, NJ: Prentice-Hall. The most recent is 2001. *Who's Running America? The Bush Restoration*. Seventh Edition, Englewood Cliffs, NJ: Prentice-Hall.

philanthropic endeavors – family charitable foundations, university research programs and professorships – as well as policy-generating think tanks, all of which are controlled through selective funding, interlocking directorates and other inducements and constraints. These institutions work to define, investigate, refine and instigate public policies that are consistent with the interests of their corporate (and other) sponsors. The resulting university and think tank research and policy proposals are then pumped through the major media – themselves owned and influenced by corporate elites – where their visibility is raised, presumably to the point of inevitability. They then enter the more traditional political process, where they are reviewed, occasionally modified, adopted, implemented and adjudicated by Congress, the executive branch and the courts.

This emphasis on hidden, non-democratic power structures is significant for several reasons. First, Mills' work was explicitly adopted by such groups as the Students for a Democratic Society (SDS), which at one time even had a bibliography of required reading for new members. Second, Domhoff's work, which conveyed a far more instrumental view of the exercise of power, was widely reviewed in such prominent publications as the *New York Review of Books*, where it would come to the attention of the Left, and Domhoff himself joined with the post-Reagan activists in founding at least one node on what we will see to be a new and extensive activist network, the Campaign for America's Future (CAF). Third, Dye and Yale political scientist Robert Dahl became leading figures on opposing sides of a raging debate within their discipline, the so-called elitist-pluralist debate, which served to highlight the differing views over the genuineness of democratic practice. Finally, both Domhoff's and Dye's books on the subject were widely adopted in sociology and political science courses across the US, and their ideas widely discussed.

All of this, taken together, means that during the 1970s and into the 1980s, the idea that power was exercised through an interlocking network of behind-the-scenes institutions that controlled the agenda of more visible political decision-makers was prominently on display. Thus when, in the 1980s, the Reagan and Bush language police succeeded in depriving Liberals, not only of political power, but of legitimacy and, eventually, even of their name, it was a short step rather than a great leap for the remnants of the Left to begin building a countervailing power structure of their own. It is my argument that this is precisely what they have been about in the years since.

### **Friends and Enemies: Progressives versus the Corporation**

Political movements depend on two psychological anchors for their success: a sense of who they are, and a sense of who, or what, they are against. The former legitimizes and enhances the political self; the latter gives focus and motivation to political action. In this sense, every successful political movement is a morality play, a drive to impose good upon evil.

The new label the reconstructionist Left chose for itself accomplished all of this and more, for not only did it define the forces of good and evil in the abstract, but, by virtue of its unique positioning in American history, it also defined and positioned a natural enemy that perfectly suited the needs of the new activists. The label they selected was 'Progressive,' or, less commonly, 'Progressive Populist.'

We are at this moment facing a new conflict in this country, the importance of which

we are only just beginning to perceive. It lies between two great parties, one a progressive party seeking to give the government more power in business affairs, the other a conservative party striving to retain all the power possible in private hands. One looks toward socialism, the other obstinately defends individualism. It is industrialism forcing itself into politics.<sup>9</sup>

This passage, according to historian Edmund Morris, marked the first time that ‘progressive’ came to be applied as a political label, rather than merely an adjective.<sup>10</sup> It was written in 1905 by journalist Ray Stannard Baker, and a century ago gave a name and, importantly, a sense of common purpose, to the first American Progressive Movement.

The beauty of the progressive label in a more contemporary setting is multifaceted: It is inherently high minded and forward looking. It captures more than adequately the substantive thrust of the activists’ agenda and provides them with a claim to deep historical roots. It resonates with the public and is sufficiently ambiguous that a great diversity of issues and positions can reside in its shade. It conveys a philosophy without itself being philosophical. It masks ideology, a quality little valued in American politics, as pragmatism and problem solving, which are greatly valued. It aligns the interests of the activists with the interests of the people. And best of all, in the same process and by virtue of the same historical associations, it defines the enemy and deprives it of all trust, confidence, good will and legitimacy. We have seen the enemy – for lo these hundred years – and it is the corporation. Not only is the corporation a natural enemy for the progressive left, but it is the perfect foil for its agenda. And, per Mills-Domhoff-Dye, if the Progressive Left can undermine confidence in the corporation, it is, at the same time and by the same act, undermining the very foundations of the elite power structure.

In contemporary American society, corporations have been afforded a privileged status. Corporations provide jobs, produce the overwhelming majority of goods and services, and provide a substantial portion of the tax revenues that sustain popular government. They also exercise a considerable degree of political influence, much of which is directed at maximizing their own freedom to make decisions based on their economic self-interest. Corporations make campaign contributions through their political action committees, they lobby Congress and the state legislatures, they litigate, they propagandize, and they generally do whatever is legitimately within their power to secure their position in the social order. They are legally protected through de facto citizenship, protective regulation, freedom of speech. They are powerful. They are ubiquitous.

Such actions inevitably have consequences for individuals living within a given society. In effect, corporations determine the scale, nature and quality of employment; the types of goods and services that are produced and (through their advertising) the demand for them; the form and extent of the exploitation of natural resources, and the balance between economic production and environmental quality; and other similarly significant outcomes. So when viewed from the perspective of the individual citizen, corporations are powerful actors whose interests may or may not correspond with their own, and whose policies and actions are highly consequential. And, precisely because they are the repository of so much economic, political and social authority, they are widely distrusted, disliked and in some quarters even

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<sup>9</sup> Quoted in Morris, E. 2001. *Theodore Rex*. New York: Modern Library, 426.

<sup>10</sup> Ibid.

reviled.

Most Americans have never held major corporations in particularly high regard. Over the period 1973-2002, for example, when asked by the Gallup Organization how much confidence they had in big business (among other institutions), the proportion of respondents indicating they had ‘a great deal’ or ‘a lot’ of confidence has never exceeded one in three. In June 2002 it stood at 20 percent, as compared with 32 percent who said they had very little or no confidence.<sup>11</sup> Similarly, a July 2002 Gallup Poll found that only 23 percent of respondents believed that most CEOs of large corporations could be trusted.<sup>12</sup> Finally, Gallup reported in November 2002 that only 17 percent of respondents in a national survey judged the ethical standards of business leaders as high or very high. In fact, over the two decades between 1983 and 2002, there was only one year when as many as a quarter of survey respondents held such a favorable view.<sup>13</sup>

But added to this generally low regard has been a series of corporate scandals and misadventures of which Enron, with its massively fraudulent practices and falsified records, is but the most prominent. On issues from accounting improprieties to auditing oversights to energy market manipulation to excessive compensation of top executives, corporations have laid themselves open to attack. They might as well have painted bulls’ eyes on their chests and issued weapons. It does not matter in the public mind that the majority of companies may not engage in such practices. That subtlety of distinction is lost in the noise. What matters is that the media are filled with stories of those that do. Progressive is the perfect label. Corporations are the perfect enemy.

### **The CounterStructure: Constructing the Out-of-Power Elite**

Suitable rhetorical framing is a necessary, but not a sufficient, building block for a political movement destined for success. The key insight on the Left – the one that has produced a viable movement today – came from the wedding of this progressive, populist and anti-corporate frame with the activists’ understanding of the workings of the power structure to produce – so far in less than fully developed form – a counter-structure based on the same power dynamic. Though a few of its elements, such as the Institute for Policy Studies and the Tides Foundation, were in place before the 1980s, this structure began taking form and direction in the early years of the Reagan Administration, and has continued to develop at an accelerating pace in the years since. The larger study from which this essay is drawn provides a comprehensive analysis of this exceptionally complex configuration of forces. In the present essay, we can consider only the bare outlines.

Recall that in the Power Elite model, corporations and wealthy individuals channel their wealth through foundations that support think tanks (like AEI) and university researchers who, in turn, generate and legitimize an agenda of policy options that facilitate and, at the same time, constrain the available range of decision-making by those whom Thomas Dye has termed the ‘proximate policy makers.’ There is considerable evidence that the Left has set out to construct an alternative power structure – let us call it the Out-of-Power Elite (OPE) –

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<sup>11</sup> Reported in a Gallup Poll conducted June 21-23, 2002.

<sup>12</sup> ‘Americans Express Little Trust in CEOs of Large Corporations or Stockbrokers,’ *Gallup News Service*, July 17, 2002.

<sup>13</sup> ‘Effects of Year’s Scandals Evident in Honesty and Ethics Ratings,’ *Gallup News Service*, December 4, 2002.

along precisely these lines. The component elements of the OPE structure include:

- Philanthropy by wealthy individuals is being redirected from supporting traditional social and cultural causes such as education and healthcare to underwriting activist causes such as environmentalism and human rights. Responsible Wealth, a project of the group United for a Fair Economy, for example, recruits and trains wealthy individuals in the ways of philanthropic activism.
- Private foundations are pooling and distributing wealth to advance and support progressive activism, often according to their own self-actualizing agendas, and in some instances in ways seemingly contrary to the founders' intentions. The classic example of an activist, wealth-pooling foundation is the Tides Foundation in San Francisco, which funds a full panoply of progressive activism. Among the major donors to Tides are the Pew Charitable Trusts, whose own activism at least appears to be inconsistent with the values of the founders, who included at least one prominent conservative Republican.
- Think tanks, advocacy groups and university researchers are developing and legitimizing progressive-left policies under such rubrics as social justice and corporate social responsibility. The Institute for Policy Studies, for example, once characterized by I.F. Stone as 'the Institute for the rest of us,' has spawned a host of spin-offs over the years; the Campaign for America's future has established a companion Institute for America's Future; and the labor movement and others support the widely quoted Economic Policy Institute; to name but a few.
- Activist groups represent through their demonstrations and other public actions the 'populist' or pseudo-democratic façade of progressivism much as political parties, campaigns and elections represent, in the elitist theory view, the democratic façade of the corporately dominated establishment.<sup>14</sup> They range from formerly mainstream groups like the Sierra Club that have been captured by a new generation of progressive-left leaders, to such groups as Global Exchange, which played a role in the Zapatista movement in Mexico as well as in the anti-globalization demonstrations in the US and elsewhere, and even the aptly named Ruckus Society, which specializes in training activists to hang themselves and their banners from trees, bridges and buildings.

Although the nation's tax laws were not intended to exempt expressly political activity from taxation, much of the activity we are describing here is, in fact, tax exempt. This is accomplished under a mechanism known as 'fiscal sponsorship.' The idea of fiscal sponsorship is essentially this: A tax exempt charity makes a decision to support a nonexempt project, and in the process extends a sort of umbrella of tax exemption over that project, at least insofar as it retains 'complete discretion and control' over the funds and so long as the project itself advances the sponsor's tax-exempt objectives. In this way, activities that do not qualify for tax exemption in their own right can legally benefit from tax-exempt contributions.

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<sup>14</sup> John Fonte has made a similar point in his characterization of the 'fourth dimension' of international politics, the conflict between traditional liberal democrats and post-democratic transnational progressives. See 'Liberal Democracy vs. Transnational Progressivism: The Future of the Ideological Civil War Within the West,' *Orbis*, Summer 2002.

Put another way, this is a device through which individual or corporate donors can give money to such projects and for which they can receive a tax deduction as if it were a charitable contribution.<sup>15</sup> The sponsoring organization – typically a foundation – might also provide a variety of administrative services to its sponsored projects – things like accounting services, office space, publicity or even fund-raising assistance, all under the umbrella of tax exemption.

Recognizing the value of such an alternative power structure and bringing substantial portions of such a scheme into existence has been no mean achievement. But more fundamentally still, the Left has recognized that underlying the elite power structure is a key resource that not only drives the system itself, but provides peculiar leverage over the chosen enemy, the corporation. That resource is money. And the reason it has proven effective over the years in limiting the influence of the Left is that they have not had much of it. In the brave new world of the Progressive Left, there is a battle being waged to change that. The redirection and pooling of private philanthropy noted above is but one element of that initiative, and in the long run, far from the most important.

One of the essential differences between philanthropic wealth and corporate wealth is that the former is largely static while the latter is inherently dynamic. Philanthropic wealth is based on the accreted sum of the assets of philanthropic organizations – the amount of money already residing in foundation hands. It grows over time, but only slowly, through two processes – return on investment and the recruitment of new philanthropists. Because foundations are fiduciaries, they are required to invest in relatively conservative vehicles, those that minimize risk to the underlying principal of the funds in trust. With some exceptions – notably the extraordinary growth in value of the stock markets in the 1990s – such investments typically have low rates of return. And while there are new philanthropists who arrive on the scene every year, relatively few are wealthy enough to have a significant impact on the aggregated sum of foundation giving.

Corporate wealth, on the other hand, is based on the *flow* of money *through* a company – money that is generated daily through the conduct of the company's business. And where foundations exist to steward their funds, businesses exist to grow theirs – it is their essential *raison d'être*. To achieve that, corporations are entitled, should they so choose, to assume all manner of risk. They may fail altogether, or they may become Wal-Mart, General Electric or General Motors. In this game, major corporations are the National Football League, and foundations are high school ball.

But most corporations of any size and power today are owned, not by a founding entrepreneur or his/her heirs, but by thousands of absentee owners, the shareholders. The founder or family may retain a substantial interest in the corporation, and may even control a block of seats on its board of directors, but typically does not control a majority of the voting shares. This creates the *possibility* that the corporation might move in directions antithetical to the wishes of the founders, if they are still involved, or, more typically, of senior management and the directors, who typically hold relatively few shares. That possibility plays out through the mechanism of votes taken at annual meetings of the corporation's shareholders. In most corporations, one share casts one vote, usually through intermediaries who follow the

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<sup>15</sup> Colvin, G. 2000. *Fiscal Sponsorship: 6 Ways to Do It Right*. Second Edition, San Francisco: Study Center Press, 2-3.

directions of the actual shareholders, most of whom do not generally attend the meeting. This is known as proxy voting.

The securities laws provide shareholders with the opportunity to submit resolutions to the corporation which they would like to see brought to a vote. Historically, corporations have had substantial leeway to reject these submissions, especially when they have dealt with day-to-day activities of the company or such social policy implications of its operations as environmental impacts or labor conditions in other countries. And historically, the overwhelming majority of such resolutions that advance to a vote of shareholders without the endorsement of management and the directors have garnered minimal support. But in recent years, both historic trends have been reversed.

In 1998, the Securities and Exchange Commission (SEC), under pressure from activist groups, revised its interpretation of SEC Rule 14a-8, which had theretofore supported companies in rejecting votes on social policy issues, to accommodate a great many more such votes. In July 2001 the SEC issued a document explaining for the benefit of companies and shareholder activists alike how the Commission would interpret the rule going forward.<sup>16</sup> The effect? In 1997, the year before the revision of Rule 14a-8, a total of 287 shareholder resolutions relating to issues of social policy were submitted to companies, of which 31 percent were actually put to a vote.<sup>17</sup> By comparison, in 2002, the first proxy season following the SEC's clarification bulletin, a total of 261 resolutions on social policy were submitted, and 66 percent, or more than twice as many, were laid before shareholders.<sup>18</sup>

More significant still has been the dynamic of voting on these resolutions. It may be the case (with a few exceptions) that all shares in a given company have equal ballot power – one share, one vote. But it is *not* the case that all *shareholders* are equal. Some – the so-called institutional shareholders, including mutual funds, pension funds, foundations, banks, insurance companies and the like – are far more influential than most individual shareholders for the simple reason that they own more shares, usually a lot more shares. In most large publicly traded companies, it is the institutional shareholders who, collectively, own the controlling interest.

Institutional shareholders typically hold their assets, not for their own benefit, but for the benefit of their investors, to whom they owe what is termed a 'fiduciary' responsibility. That is to say, they are legally obligated to vote their shares in support of the best interests of their investors. These interests have long been defined in narrow terms as the *financial* best interests of investors, and these institutions have generally interpreted that as requiring that they cast votes in favor of actions that most directly contribute to corporate profits. In recent years, however, there has been a systematic effort by activist investors to promulgate an alternative definition of best interests that emphasizes social values – environmentalism, support for human rights, pro-union workplace policies – as being consistent with fiduciary

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<sup>16</sup> *Staff Legal Bulletin* 14, issued by the SEC's Division of Corporate Finance on July 26, 2001, as referenced in 'Shareholder Proposals in Proxy Statements,' a client memorandum issued by Fried, Frank, Harris, Shriver & Jacobson, November 30, 2001; found online April 9, 2003 at [http://www.ffhsj.com/cmemos/113001\\_proxy.htm](http://www.ffhsj.com/cmemos/113001_proxy.htm)

<sup>17</sup> *Ibid.*

<sup>18</sup> *Towards a Shared Agenda: Emerging Corporate Governance and Social Issue Trends for the 2002 Proxy Season*, report of the Investor Responsibility Research Center and Shareholder Action Network of the Social Investment Forum Foundation, March 2002, 5.

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On the surface, these activists, who speak of an ‘alternative’ or ‘dual’ bottom line, one financial and one social, are seeking to redefine the corporation as a social as well as an economic entity, a view that is entirely consistent with the power-elite formulation. But more significantly, they are trying to use the immense financial power of the mainstream institutional shareholders as leverage to force corporations to adopt progressive social policies. The evidence of the 2003 proxy season to date is that, while they are still losing more votes on resolutions than they are winning, their record is improving. And when one takes into account the other large body of shareholder resolutions being advanced by progressive activists, those dealing with such matters of corporate governance as the number and role of independent directors and the level and process employed in determining the compensation of high level executives, their record is stronger still. Through a series of proxy-related initiatives and strategies that lie beyond the scope of this essay (but will be detailed in the larger study), progressive-left activists are now being taken seriously in many board rooms, and increasing numbers of corporations are taking their agenda into account in making business decisions.

### **The Strategy: Power Structure Analysis and the Anti-Corporate Campaign**

The morality play staged by the Progressive Left, however, requires more than financial pressure on corporate policy-makers. It requires that the corporation itself be de-legitimized. To this end, the activists have turned to the phenomenon known as the corporate campaign, a comprehensive psychological, political, regulatory, legal and economic assault on corporate reputations and business practices. Indeed, the proxy wars referenced above are in actuality but a single dimension of this larger set of confrontations.

The corporate campaign was anticipated as long ago as 1962 when, in the *Port Huron Statement*, the guiding manifesto of the SDS, then-president Tom Hayden wrote,

It is not possible to believe that true democracy can exist where a minority utterly controls enormous wealth and power.... We can no longer rely on competition of the many to assure that business enterprise is responsive to social needs.... Nor can we trust the corporate bureaucracy to be socially responsible or to develop a ‘corporate conscience’ that is democratic.... We must consider changes in the rules of society by challenging the unchallenged politics of American corporations.<sup>19</sup>

It was advanced when a coalition including SDS and the National Council of Churches, working through North American Congress on Latin America drafted the *Research Methodology Guide*, the first how-to book for identifying points of leverage that could be employed to force changes in corporate policy. And it was developed primarily within the labor movement beginning in the mid-1970s, with a notable contribution by activist Ray Rogers, who devised a technique he termed ‘power structure analysis.’

The central idea of power structure analysis was that, by identifying and undermining a target company’s most critical stakeholder relationships – with its customers, suppliers, bankers and

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<sup>19</sup> Ibid.

the like – and by effectively waging war on its reputation, a union could bring a great deal of pressure on management that might, in turn, result in a better contract than might otherwise have been possible or, for nonunion companies, convince the company to facilitate unionization of its workers. To this end, the union, often working with allies and surrogates, would bring lawsuits or other actions against the company, boycott its products, attack its credibility on Wall Street, or engage in any number of other actions that had at their core an effort to embarrass those who did business of any sort with the target company, turning each of these stakeholders into pressure points against management. In theory, and often in practice, as the pressure built to an intolerable level, the company would yield.

In the course of conducting what is by now well over 200 such campaigns, labor recruited to its support a large number of environmental, human rights, consumer rights and other progressive activist groups, some of which began to learn the techniques employed in such campaigns, and to appreciate the potential they had to influence corporate decision makers. Over the last few years, these groups have begun conducting increasing numbers of their own campaigns, sometimes, but not always, with the participation or support of organized labor.

In most of the campaigns conducted by organized labor, the objective is typically economic – jobs, compensation, work rules, union membership – and at the end of the day there exists some measure of common interest between the target company and the campaigning union, at least to the point that both have an interest in preserving the viability of the company. This tends to place some limits on what the union is prepared to do in its attacks on the company. But the same cannot be said of campaigns waged against corporations by progressive activists. Some of these groups would actually view the destruction of the corporation as a social institution as beneficial to society. Others – the clear majority – take a narrower but nonetheless antagonistic view, seeing specific corporations or industries such as mining or petroleum as net evil-doers whose elimination, or at least whose reduced success, would benefit society. These ideological and programmatic activists have no inherent stake in the viability of their targets, and as a result, they are less constrained in their selection of tactics. For that reason, we can think of the campaigns waged by these non-labor activists as *anti-corporate* campaigns.

Historically, corporate campaigns by organized labor have been relatively well-funded undertakings when compared against anti-corporate campaigns. Indeed, some union campaigns have been well funded by any standard, as the labor movement has developed mechanisms to channel literally millions of dollars into some of these efforts. Environmental, human rights and other activists' campaigns have been less well-funded, and typically substantially so. As a result, though their objectives and tactics may be more extreme, and are surely more political, their impact on corporate behavior has been comparatively small. But that may be changing. For one way to look at the expanding system of fund-raising and expenditure we described above is to view them as institutionalized mechanisms for generating ever larger and more predictable pools of funding in support of anti-corporate activism. Here, then, is an outlet for the resources flowing through the newly developed or redirected institutions of Left activism, one that targets the defined enemy as it demonstrates the power of the new progressivism.

### **Social Networks and Social Netwar: From Interlocks to Proxy Shocks**

Netwar is a term developed by John Arquilla and David Ronfeldt, two scholars at the RAND Corporation. It refers to,

An emerging mode of conflict ... in which the protagonists use network forms of organization and related doctrines, strategies and technologies attuned to the information age. These protagonists are likely to consist of dispersed organizations, small groups and individuals who communicate in an internetted manner, often without a precise central command.<sup>20</sup>

Not surprisingly considering the source, the concept was originally developed for the military as an extension of the study of low-intensity conflict. One of the best examples of netwar to date is provided by the Zapatista Movement in Chiapas, Mexico, where international NGOs interacted with and helped to legitimize and sustain a quasi-revolutionary movement, and where computer and other electronic networks kept a small and otherwise isolated guerilla movement in the news for months.<sup>21</sup> These were capabilities that the Zapatistas on their own simply did not possess.

Within days, delegations were flowing into Mexico ..., where links were established with local NGOs and EZLN representatives. Demonstrations, marches and peace caravans were organized, not only in Mexico but even in front of Mexican consulates in the United States. The NGOs made good use of computerized conferencing, e-mail, fax, and telephone systems, as well as face-to-face meetings, to communicate and coordinate with each other.... The fax numbers of Mexican and US officials were often posted in Internet news groups and mailing lists .... In addition, the activists worked to assure that the insurrection became, and remained, an international media event ... [and] that the EZLN and its views were portrayed favorably.<sup>22</sup>

... Many NGO activists sensed they were molding a new model of organization and strategy based on networking that was different from Leninist and other traditional approaches to the creation of social movements.<sup>23</sup>

Similar tactics were employed by NGOs in carrying out the so-called 'Battle of Seattle,' the first in a series of skirmishes between progressive activists and the corporate establishment over the process of globalization.<sup>24</sup>

While electronic communication is a key element of netwar, and while the progressive Left has made extensive use of the Internet and other such means in rebuilding the movement, it is

<sup>20</sup> Arquilla, J. and D. Ronfeldt, Eds., 2001. *Networks and Netwars: The Future of Terror, Crime, and Militancy*. Santa Monica, CA: RAND Corporation, 6.

<sup>21</sup> See Ronfeldt, D., Arquilla, J., Fuller G. and M. Fuller, 1998. *The Zapatista Social Netwar in Mexico*. Santa Monica, CA: RAND Corporation; and, Russell, A. 2001. 'Chiapas and the New News: Internet and Newspaper Coverage of a Broken Ceasefire,' *Journalism: Theory, Practice and Criticism*, 2(2): 197-220.

<sup>22</sup> Ronfeldt, 1998, 50-51.

<sup>23</sup> Ibid., 52.

<sup>24</sup> de Armond, P. 'Netwar in the Emerald City: WTO Protest Strategy and Tactics,' in Arquilla and Ronfeldt, Eds., 2001, 201-235.

the social networking aspect of netwar, or *social* netwar, that is most revealing of the underlying strategy being employed on the larger stage we are examining here. Perhaps the best way to make the point briefly is by illustration. [See Figure 1]

Since much of the argument here has centered on the marshalling of investor pressure on corporations through both the channeling of funds and the wielding of proxy votes, let us take as our example the foundation/NGO network that is in place to accomplish this. A portion of this network is captured in Figure 1. The lines connecting various entities represent one or another form of interlock – shared directorships, direct financing, formal structural relationships (e.g., parent-subsiary), explicit programmatic cooperation (e.g., joint projects), and so forth. For present purposes, I have selected relationships that I regard as significant based on a more comprehensive analysis, but I have not imposed strict criteria nor attempted to rank-order their significance in a systematic manner.

This network is comprised of several broad elements, represented by specific entities, some of which provide general support or points of connection and others of which play specific roles. The general components of the network include activist foundations (only a symbolic few of which are included in this illustration), the social-policy investment community and shareholder activists, activist pension funds, unions, environmentalists and religious activists. Some of the important role-players in the network include:

- AFL-CIO has issued a set of proxy voting guidelines for trustees of union pension funds that is designed to legitimize pro-social voting as consistent with their fiduciary responsibilities. Through its Center for Working Capital and other mechanisms, the labor federation has also pressured large investment companies to disclose their proxy votes, a first step toward generating pressure on these firms to adopt the AFL-CIO guidelines for non-union funds as well.
- CERES (Coalition for Environmentally Responsible Economies) is a coalition of labor, environmental, investor and other groups that is best known for having created what is generally regarded as the definitive environmental code of conduct for corporations, known as the CERES Principles. Members include the AFL-CIO, most of the prominent environmental NGOs (Friends of the Earth, Natural Resources Defense Council, Sierra Club, etc.), and all of the major pro-social investment firms, which makes CERES an important point of interconnection among diverse interests. Two other major nodes, ICCR and SIF (see below), are also CERES members.
- CalPERS and TIAA-CREF are the nation's largest pension funds. Both have activist agendas that they aggressively pursue in their investment policies and proxy votes. Both are members, together with UK-based Hermes Pension Management Ltd., of the International Institutional Investors Advisory Group, a coalition dedicated to extending the governance and social policy agendas of these mammoth funds to the international business community. Union representatives chair and serve on the CalPERS Board of Administrators.
- Council of Institutional Investors (CII) brings together a large number of state-level public pension funds with those of such unions as the Communications Workers, the Machinists and the Teamsters, many of which are themselves activist investors. CII

provides a forum for developing a common agenda on corporate governance and social policy.

- Interfaith Center for Corporate Responsibility (ICCR) is a coalition of activist religious communities and organizations, progressive advocacy groups and foundations, and all of the major social investment firms that tracks issues on governance and social policy, and wages shareholder campaigns on such issues as corporate codes of conduct, human rights policies in the global economy, social and economic equality, and production of military goods and services.
- Institutional Shareholder Services (ISS) is, following a recent merger, the only for-profit firm in the United States providing proxy-voting advice to institutional shareholders, and is often regarded as an independent voice on shareholder matters. That independence lends great weight to ISS recommendations, but it may be somewhat apocryphal. The merger that left the firm with a monopoly in its primary line of business was financed in part by Hermes Pension Management, which, in turn, is owned by and manages the funds of the British Telecom and British Post Office pension system, and which is represented on the ISS board of directors. ISS also advises on proxy issues, and actually votes the shares of, a number of multi-employer union pension funds (so-called Taft Hartley funds), which it does in coordination with the proxy voting guidelines of the AFL-CIO. And ISS advises individual corporations on how their governance structures and proposed policies match up with ISS criteria.
- Service Employees International Union (SEIU), a member of CII, is noteworthy as well because it is the only international union that is a member of ICCR, and because one of its senior organizers, Wade Rathke, a long-time anti-corporate activist and founder of the community organizing group ACORN, sits on the board of the Tides Foundation.
- Social Investment Forum (SIF) is an investment-centered node, and a subsidiary of the Tides-supported environmental group Coop America, at which environmental and religious activists (through CERES, ICCR) join with the social responsibility investment community. SIF, in turn, operates the Shareholder Action Network, with engages in proxy activism by individual shareholders, campaigns against individual companies, and pressures the SEC for enhanced disclosure of corporate social and environmental policies.
- Union of Needletrades, Industrial and Textile Employees (UNITE) is also a CII member. It is worthy of separate notice here because UNITE is actually organized not merely as a union, but as a bank holding company. It operates the Amalgamated Bank and seventeen other financial, insurance and related companies. Amalgamated Bank, and its affiliated Longview Fund, are frequent participants in activist shareholder campaigns.

Through a variety of interlocks, this network of interests has functioned with considerable unity of purpose in recent years, influencing proxy votes and pressuring management at such diverse companies as AOL Time Warner, General Electric, Hewlett-Packard, Marriott International and Sprint, to name but a very few. Some of the connections among members

are transparent and widely recognized; others are oblique and little known. Some are direct and explicit; others are indirect and subtle. But collectively they have produced an increasingly effective form of leverage on corporate management suites, board rooms and policies. And they are but one of many theaters of conflict in the building of the progressive movement, the attack on the corporation as a social institution, and the waging of ...

### **Biz-War**

I began this essay by suggesting that, by the late 1980s, the American Left found itself in need of reconstruction, and that in the years since it has pursued a strategy of reframing its own image, identifying a suitable opponent or enemy, constructing an alternative power structure paralleling the power elite model extant at the time, waging anti-corporate campaigns against numerous targets to advance its agenda, and gaining in the sophistication of its weaponry and in its influence. The idea is not that this is a carefully planned conspiracy of some sort – which I do not believe to be the case – but rather, that it is the collective product of a series of both isolated and integrated decisions made by like-minded activists of some considerable cleverness. Though this limited forum does not afford an opportunity to develop and support that argument in full, I hope that sufficient evidence has been presented here to suggest, at least potentially, its merit.

If the reader is willing to join me in going at least that far, then we can get to the point of the exercise. That point is simply to recognize that the progressive-left activist community today is broadly based, highly and perhaps deceptively sophisticated, well financed, highly motivated and broadly integrated. And this network of philanthropists, foundations and NGOs is focused on achieving its diverse aims through a common and interactive strategy, the waging of a war of reputation, regulation, litigation and financial pressure on the corporation, both individually and institutionally. It is today the dominant model of exchange between the activist communities and the corporate community. It is Biz-War.