

# Beyond the Greening of Capitalism

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When a corporation sets prices on its products, it does so in a way that neglects to account for all of the costs of production of those products. And the costs that are not paid for by the company are ultimately paid for by the society, or by the earth.

Consider the example of an American wood products company that produces lumber derived from clear-cutting a forest in the Oregon Coast Range. To produce this lumber it must pay a wide range of production costs. These costs might include purchase of rights to log a US Forest Service old growth timber stand, wages to lumberjacks and mill workers, logging equipment purchase and operating expenses, railroad or truck shipping fees, and so forth. Now when the timber company goes to price its lumber, it takes into account only those costs related to market transactions involved in a product's production and sale.

However, the costs of production are rarely limited to those accounted for in market transactions. Economist, Ed Whitelaw, points out that, "While the company pays workers for their labor, saw shops for their chainsaws, and gas stations for their fuel, it makes no payment to commercial fishermen for the reduction in salmon populations, to owl lovers for the decrease in the probability that owls will survive, to non-timber workers who see owl and salmon habitat as an essential element of the local quality of life, or to the municipality for the increased filtration required to produce clean water."

These costs of production which lie outside of market transactions are called, in the jargon of economics, *externalities*. Just because externalities are not taken into account in market transactions does not mean they go unpaid for. It is the workers, communities and nature who, in effect, subsidize the externalized costs of production.

In preindustrial economies, the external costs of production were negligible, and very localized. This is no longer the case. The externalities of the global industrial economy are massive, and they are a prime cause of the unsustainability of the current economic system. As economist David Korten points out, "Many of these external costs, especially those related to

environmental destruction, are being transferred to future generations.” This is to say, the effects of greenhouse gases accumulating in the atmosphere, of toxic chemicals seeping into water tables, of loss of habitats and biodiversity, and so forth, will have great impact on those living in the future.

The great myth of capitalism is that the free market economy is faithfully guided by Adam Smith’s “invisible hand” to bring benefit to all. Capitalism’s inability to deal responsibly with externalities belies this myth. Someone has to take responsibility for the externalized costs of production. And if corporations are not responsibility — sloughing the burden of these costs onto others to pay — then there will be the continued and growing destruction of ecosystems, disruption of community life, and degeneration of cultural vitality.

### **The Greening of Capitalism**

There are five basic reform strategies that have come up for dealing with capitalism’s destructive external costs of production. First, it can be done through responsible patterns of consumption. Consumers can choose to purchase sustainably harvested lumber, cruelty-free cosmetics, organic produce, etc. This is the objective of the green consumerism movement.

Second, it can be done through directing investments toward enterprises that follow socially and ecologically sound practices. Investors direct their capital into solar energy companies, or into mutual funds that exclude investment in nuclear power, tobacco, and insecticide companies. Also corporate shareholders can petition companies in which they hold stock to conduct environmental audits to assess and reduce their negative impacts on the environment. This is the approach of the socially responsible investment movement.

Third, enterprises themselves can initiate socially and environmentally responsible business practices that reduce or eliminate their external costs of production. Stonyfield Farm, for example, pays premium prices to family dairy farms that use sustainable agricultural practices. And Ben & Jerry’s ice cream company conducts rigorous social audits of its business practices. This is the aim of the ethically responsible business movement.

Fourth, public policy can be framed that requires accountability for harmful externalities. The levying of carbon taxes on hydrocarbon fuels, for example, would make automobile users pay for the buildup of greenhouse gases. Or natural capital depletion taxes can be levied on products that deplete a nation’s resources, or its *natural capital*. This is the approach being promoted by sustainable development advocates.

Taken together, these four approaches constitute movement toward a greening of capitalism. The key feature of this reform-minded trend is that profit is no longer regarded to be the sole arbitrator of economic decisions; profit no longer stands alone as the bottom line. There is instead a “triple bottom line approach” which holds that commercial activity should generate financial, social, and environmental dividends. This triple bottom line approach is attempting to create capitalism with a responsible face — a capitalism in which responsibility to workers, communities, and the environment weighs equally with responsibility to stockholders.

### **Core Issues Facing Humanity**

Even if the full promise of the greening tendencies within capitalism can be achieved, and even if natural capitalism could be materialized, we would still have to ask: “Is it enough? Will this satisfy humanity’s needs and aspirations?” To assess the adequacy of socially responsible capitalism we should first review the major problems humanity must resolve if we are to attain security, harmony, and fulfillment.

**Sustainable development.** The present capitalist-industrial model of development is based on depletion of nonrenewable resources, and a by-product of its functioning is the toxification of the environment. The Club of Rome, the World Watch Institute, the Brundtland Commission, among others, have concluded that under the present approach to development sustainability is not possible. Already, oil production has peaked, while demand grows, and ending the era of cheap oil. Without cheap oil alone, economic prosperity will falter.

**Global equity.** The free market, capital-centralized economy compels a steady net transfer of wealth from the South to the North, from the peripheries to the centers, from the rural to the urban, and from the under class and middle classes to the upper class. Wealth is increasingly centralized, disparity increasingly intensified. The wealthiest few hundred billionaires own as much wealth as the poorest 3.7 billion. Over one billion people have a bare subsistence existence while others in the human family are bloated with material possessions beyond imagining. These tinderbox conditions fuel social anarchy and geopolitical tensions. Without a massive redistribution of wealth resulting in some semblance of equity, there will be no peace and no universal prosperity.

**Balanced development.** Commercial enterprises are established where costs of production are low – in the jargon of commerce, where there is “a favorable business climate”. Economic development thereby gets concentrated in a few communities having favorable conditions, while most other communities remain starved for capital, jobs, technology, training, culture, and infrastructure. This forces people to migrate from country to city. There is wealth in the cities and, therefore, means of existence. But it is most often an existence unhealthy for

body and soul. This dynamic also drives migration to the industrially developed countries, bringing social disruption and burdens on social service systems.

**Economic self-determination.** Chile's former President, Salvador Allende, observed that the American based corporation, Anaconda Copper, invested a few million dollars in Chile and took out billions in profits. Had these profits from copper ore been controlled by and used for the Chilean people, it would have made a profound difference in their standard of living. If regional economies are to prosper, it is essential that they control their own capital, natural resources, production facilities, and markets. Otherwise, capital is drained out of them and prospects for their people's future are diminished.

**Guaranteed basic necessities.** The problem of overpopulation is less due to the lack of knowledge about birth control and more the result of an inadequate standard of living. Where people are economically secure, population stabilizes. And where people lack the basic necessities of life, the rate of population growth remains high. So the guarantee of basic necessities to all is essential if humanity is to control population growth. Guaranteed access to the basic necessities is a fundamental right, inherent in our existence as children of planet Earth.

**Cultural integrity.** Human life is expressed within a cultural context. Take away a people's culture and their spirit becomes impoverished, their collective life force devitalized. There are indigenous people in Amazonia who, with the loss of their way of life, have simply sat down and awaited death. Empowering cultures arise from the authentic life experience of a people sharing a space, a language, a legacy, an economy. It cannot be imported and promoted through seductive advertising. It cannot be rooted in the commercialized glamour of a global monoculture. It can only emerge from the creative unconscious of mystics and artists, and the reverberations of the collective consciousness on individual expression.

**Wholesome personal expression.** All living beings seek to express their essential nature. Flowers bloom, trees produce fruit, gulls soar in the wind. Human beings are no exception; we exist to express our human nature, and express it in its wholeness. To be human is much more than working, consuming, accumulating. We are not economic beings; we are spiritual beings, living and developing in community. Unable to develop and express our full nature, our individual and collective existence becomes perverted and unfulfilled, and this gives rise to pandemic addiction, depression, dysfunction and despair.

**Economic stability.** All complex systems exhibit fluctuations, and economies are no exception. But when economies lack balance – whether due to concentration of wealth, exploitation of labor, speculation of capital, or corruption in commercial life – they lose

resiliency and the normal range of fluctuations becomes vastly amplified and cycles of recession or depression and of inflation occur. When this happens, the lives of millions may be thrown into poverty and material anxiety.

**Governability.** The ideal of democracy is that of government of the people, by the people, and for the people. But under the growing influence of huge corporations, it has become of, by, and for the corporate interests. Wealth breeds corruption in the corridors of political power, making the ideal of an efficiently functioning, equitable democracy ever more remote. People's alienation from government institutions, electoral politics, and their political leaders has grown acute. Alienation breeds dis-identification, so that political institutions no longer bind communities. Increasingly, people disconnect from collective life and turn to narcissism, rebellion, or lawlessness.

### **Limitations of the Capitalist Paradigm**

Can a socially and environmentally responsible capitalism deliver us from these profound problems that beset us? Paul Hawken claims that, "Business is the only mechanism on the planet today powerful enough to produce the changes necessary to reverse global environmental and social degradation." In this he overreaches. Whatever good socially responsible businesses may have to offer – and there is much – they will not be our deliverers.

The socially responsible business movement is to be lauded for injecting ethical considerations into commerce and responding to the destructive external costs of corporate activity. There is no doubt that green tendencies in corporate enterprise can reduce the negative externalities of production and commerce. But capitalism with a green face cannot provide fundamental solutions to the critical problems that will make or break our future. It may be capitalism with a double bottom line, it may be capitalism with a very human face, but it does not break with the core logic of capitalism. And this logic limits the capacity of capitalism to heal people, community, and planet. Why this is so?

The capitalist economy, like all complex social systems, functions within a certain range of possibility that is defined by its basic premises. Within this arena of possibility there can be variations in approach. Socially responsible investment and business practices can, for example, find their place in the world of commerce. But the basic assumptions which define capitalism's nature, which give coherence to the system, also limit the scope for modifying the system. The more divergent and incompatible any proposed reforms are to the fundamental principles of capitalist theory and practice, the more difficult they become to actualize.

Inevitably, the constraints inherent in the fundamental nature of capitalism limit capitalism's capacity to provide meaningful resolution of the core crises facing humanity. And what is this fundamental nature? P. R. Sarkar observed that capitalism is based on "an individual-oriented, profit-motivated psychology," and that the natural outgrowth of this psychology is for "wealth to accumulate for the benefit of a few, rather than for the welfare of all." This is the inherent contradiction of capitalism – the contradiction between the wealth accumulated by the few and the welfare of the all. This contradiction is behind most of the imbalances afflicting societies, individuals, and biosphere.

Humanity has come to a juncture in which it must either adopt a path of development that works for the planetary whole, or continue down the path of chaos and collapse. If our path is to be one of renewal, then sustainability, equity, universal prosperity, and holistic fulfillment of human needs must flow organically out of the inner logic of a new model of development — rather than be the forced result of a complex mix of green taxes, green consumerism, responsible investing, external cost accountability, etc., all valiantly but futilely trying to constrain the greed inherent in a profit-driven economic system.

### **Features of an Alternative Economic Paradigm**

If humanity must go beyond the capitalist paradigm to survive and prosper, what would an economic system look like that optimally meets human needs?

Business philosopher (and former priest) Michael Novak, in his effort to articulate a "theology of capitalism", takes a view of capitalism much like the view that Winston Churchill took toward democracy: that it is a terrible form of economy except in comparison to the alternatives. Novak's assumption that humanity is stuck with capitalism as the best alternative available is shared, at least implicitly, throughout the reform movements struggling to deal with the social and environmental impacts of the capitalist economy.

But there are others who have not been so willing to accept the inevitability of capitalism. E. F. Schumacher, for example, aspired to an "economics as if people mattered" and asserted the superiority of a human-scaled, decentralized economy.

The Progressive Utilization Theory (PROUT) also envisions a new economic system, one that expands upon Schumacher in calling for an "economics as if all life mattered." Here are some of the essential features of the post-capitalist economic model put forward by PROUT.

**Cosmic inheritance.** The principle of individual ownership rests on a materialist conception of wealth. This must be replaced with a spiritual conception. Such a spiritual view of

wealth has been given by P. R. Sarkar: "This universe is created in the imagination of the Supreme Entity, so the ownership of this universe does not belong to any particular individual; everything is the patrimony of us all. Every living being can utilize their rightful share of this property. This whole animate world is a large joint family in which nature has not assigned any property to any particular individual." According to this view of ownership of wealth — called *cosmic inheritance* — individual ownership cannot be accepted as absolute. Everyone has the right to use the wealth of the universe, but only the Divine Entity can claim ultimate ownership. This view of the ownership is consistent with the values of most indigenous peoples and of the wisdom traditions.

**Economic decentralization.** Economic decentralization must be a central objective of the new, humanistic economy. Paul Hawken's natural capitalism speaks of the need to "replace nationally and internationally produced items with products created locally and regionally." But Hawken does not recognize how problematic this is within a capitalist economy, which has the tendency to constantly expand markets and concentrate capital so that the capitalist economy inevitably moves toward globalization. A human and earth-centered economy, by contrast, would tend toward the localization of economic power.

**Worker-managed economy.** The three most effective incentives for increasing productivity are profit-sharing, shared equity, and participation in decision-making. The form of enterprise in which all three of these production incentives are maximized is the worker-owned and managed cooperative. As cooperatives are best suited to optimizing the productive potentiality of workers, they should become the predominant form of economic enterprise. Cooperatives also minimize worker alienation, promote equitable distribution of wealth, and foster economic decentralization.

**Consumption-motivated economy.** Capitalism is a profit-motivated economy. Making profit cannot be ignored, but neither can it be the central purpose of economic activity. The central purpose must be to meet the needs of people. Such an economic rationale would increase the availability of consumer goods, and make them available at prices that are affordable. It would also work to increase people's purchasing capacity and see that none are without the earning power needed to acquire their basic requirements.

**Economic democracy.** Concentration of economic wealth subverts the effective functioning of democratic government. Rich people and big corporations use their wealth to finance campaigns, influence legislation, and corrupt regulatory agencies. And if government policies are enacted which severely threaten the financial interests of the wealthy, they will move their capital out of the local or national economy, leaving behind economic ruin. For democratic governance to be of the people, by the people, and for the people, economic power

must be dispersed. That is to say, democracy must be extended beyond the political sphere so that the common people have expanded influence in the economic realm.

**Self-determined regional economies.** People can best coordinate social and economic development where they possess a common culture, shared economic potentials and problems, similar geography, and a common historical legacy. These are the factors that organically define a regional socioeconomic unit. Social and economic development undertaken within such regional units can be easily adjusted with local conditions, and so development can better satisfy human needs. For locally sensitive development to take place, regional economies need to have control of their resources and capital and to be free from domination by outside forces.

**Balance.** Balance is essential to all living systems, and balance needs to be restored to the human society and its economic activities. As detailed in the World Commission on Environment and Development report, *Our Common Future*, most environmental destruction is driven by economic development. An ideal economy should possess the stability that is found in natural systems, not the disruptive growth found in cancer cells.

**Neohumanistic values.** Humanism makes human welfare the measure of social good. But our world is not only home to humans; it is home to all of Earth's life forms. So human activity must be guided by a new humanism that values the welfare of all living beings. Economic development must not be allowed to violate the inherent right to existence and expression of other species. It is not sufficient to want "an economics as if people matter", as E. F. Schumacher called for. What is required is for economic activity to be guided by neo-humanistic values, creating "an economics as if living beings matter."

**Spiritually-based concept of progress.** Discussions about how best to conceive and pursue sustainable development generally fail to ask the question: What is the purpose of economic development? If the purpose of development is only to increase material amenities, then sustainable development will bring little more than maintaining our materialist lifestyle without damaging the environment. But it will not help us attain inner fulfillment. For this, we must reorient our idea of progress from life being simply about attaining material increase to being movement toward spiritual realization. It is of course true that people cannot pursue spiritual growth if their material needs are not met. So a spiritually based conception of progress must also recognize that there is need for material development. The purpose of development becomes, then, to support our search for inner meaning — not to fill our lives with things that empty our lives of meaning.

## **A More Powerful Vision**



The humanization and greening of capitalism is a well-intended response to the pressing need to deal with the detrimental effects of capitalist investment, production and consumption. Progressive reforms like green consumerism, socially responsible investing, and ethical businesses deserve popular support. Progressive-minded people should embrace new ways of consuming, investing, and producing – of building up new behaviors and new institutions that bring change from within the old economy.

But if we stop at reforms, the problems besetting humanity will only worsen. Fundamental solutions must be popularized and implemented. However much scope there may be in capitalism to humanize production, protect the environment, support social justice, and vitalize local communities, the capitalist system is simply unsuited to benefiting all. It is suited to enriching the few, not meeting the needs of the universal humanity.

We may embrace the progressive reforms of the green capitalists, but we must not embrace the defective premises of capitalism. Humanity is in need of a more powerful vision — one that embraces the fullness of our spirit and the greatness of our human potentiality.

P. R. Sarkar declared, “In the interests of living beings as a whole, capitalism must come to an end.” Sarkar did not stop at condemning capitalism; he went on to propound a new socio-economic theory offering a new economic vision capable of bringing sustainable development, equity, and prosperity for all.