



Beyond the Greening of Capitalism by Ravi Logan

When a company in a capitalist economy sets the prices on the products it produces, it does so in a way that fails to account for all of the costs of production. And costs that are not paid for by the company are ultimately paid for by the society or 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. University of Oregon 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."

The costs of production which are external to 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. In the case of lumber, it is the fishermen, bird lovers, non-timber workers, and municipalities who pay for these losses, who, in effect, subsidize the logging company.

Typically, these external costs are transferred to local communities, to disadvantaged social groups, or to indigenous cultures. Consider the loss of business suffered by community based retail shops when a Wal-Mart franchise enters a local market. Or the costs to Mexican farming communities when prime agricultural land is bought up by American agribusiness, not to be used for production of beans and corn, but for cut flowers and specialty vegetables destined for American supermarkets.

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 the underlying 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 be of greater consequence to those living in the future.

One of the great myths of capitalism has been that the free market economy is faithfully guided by Adam Smith’s “invisible hand” to provide benefits to all. Capitalism’s inability to deal responsibly with externalities belies this myth. For economies to function in an ethical, ecological, and constructive way, someone has to take responsibility for the external costs of production. And if economic enterprises do not take this responsibility but slough these costs off on others to pay, or on future generations to cope with, then there cannot be sustainable ecosystems, sustainable communities, or sustainable cultures. Instead there will be the continued destruction of ecosystems, disruption of community life, and degeneration of cultural vitality.

Dealing with Externalities

There are five basic strategies for dealing with problematic external costs of production. First, it can be done through responsible patterns of consumption. Consumers can choose to purchase unbleached toilet paper, cruelty-free cosmetics, organic produce, etc. This is the objective of the green consumerism movement.

Second, it can be done through directing investment capital toward those enterprises that follow socially and ecologically sound practices. Investors can direct their capital to solar energy companies, or to 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 pays premium prices to family dairy farms that use sustainable agricultural practices, Ben & Jerry’s ice cream company conducts rigorous social audits of its business practices, and Xerox has a buy-back program that gives discounts to customers that return spent copier cartridges. This is the aim of the ethically responsible business movement.

Fourth, public policy can be framed in a manner that builds into the production system 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 advance disposal fees could be charged to build into a product’s purchase price the cost of waste disposal. Or natural capital depletion taxes can be levied on products that deplete a nation’s resources, or its “natural capital”. And pollution emissions allowances enable companies to trade smog futures contracts. This is the approach being promoted by many sustainable development advocates.

Taken together, these four approaches constitute significant 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” to economic decision-making which holds that commercial activity should generate financial, social, and environmental dividends. Just as in 1968 Czechoslovakia attempted to create “socialism with a human face”, the triple bottom line principle attempts to create capitalism with a responsible face. Responsibility to workers, communities, and the environment weighs equally with responsibility to stockholders.

This new way of thinking, of putting ethical considerations on par with profits, represents a constructive and encouraging reform trend within capitalism.

Beyond the Triple Bottom Line

There is yet a fifth way to deal with the problematic external costs of industrial capitalism: reject capitalism and adopt a new system that is inherently environment and community friendly.

The tendency to create socially and ecologically destructive side effects is not an inevitable feature of economic life. Ecological systems, in contrast to the present economic system, do not produce toxic by-products, destroy diversity, or disrupt communities. Nature maintains a balanced internal cycling of nutrients and energy and exhibits a tendency to increase diversity and stabilize communities. In a similar manner, the economic life of most indigenous cultures has been sustainable and enriching to society and environment. After all, human life is an extension of, or rather a part of nature, so that it does not operate differently, in principle, from the rest of nature. Rather than having to rely on green taxes, socially responsible investing, green consumerism, and ethical enterprises to remedy destructive externalities, should we not be able to reenvision economic theory such that social equity and biological integrity arise naturally in the course of economic activity?

Paul Hawken’s concept of “natural capitalism”, with its emphasis on design solutions, comes close to taking this path. Hawken’s principles of natural capitalism include providing secure and meaningful employment for all people, restoring degraded habitats and ecosystems to their fullest biological capacity, and replacing globally produced products with products produced locally and regionally.

But these are not objectives which flow readily out of the logic of the free market economy. Substituting local production for global production, for example, goes against the inherent tendency of capitalist enterprises to constantly expand their scale of production and the size of their markets. So Hawken’s natural capitalism, though inspiring in its intentions, may be envisioning objectives that are virtually unattainable within the framework of the capitalist system.

Consider natural capitalism’s program of “green taxes”. Hawken correctly points out that the present tax system “does not tax the things we want to see diminish, like toxins and pollution, or to save, such as natural resources.” Green taxes would reverse this logic. While sound in theory, its widespread implementation would

be extremely difficult in practice. We need only recall the US Congress' resistance to hydrocarbon taxes to recognize the legislative difficulties of enacting a comprehensive system of green taxes. Even if made law, corporate interests would likely seek ways to avoid compliance or to rewrite and eviscerate regulations. And the bureaucratic mechanisms needed for determining, collecting, and enforcing green taxes would become vast and susceptible to loopholes and corruption.

Core Issues Facing Humanity

Let us assume that the full promise of the greening tendencies within capitalism can be achieved, and even that natural capitalism could be materialized. We would still have to ask: "Is this enough? Will this satisfy humanity's needs and aspirations?" It is to this question we now turn. But to properly assess the adequacy a socially responsible capitalism we need to first review the major problems humanity must resolve if it is to attain security, harmony, and fulfillment.

Sustainability of 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 commons space. The Club of Rome, the World Watch Institute, the Brundtland Commission, and other investigators have concluded that, under the present approach to development, sustainability is not possible. Already, oil production has peaked, while demand grows, making it impossible to continue to meet global energy needs. Without cheap oil alone, industrial civilization will crash, severely disrupting the biosphere as it falls.

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 and middle classes to the upper class. Wealth is increasingly centralized, disparity increasingly intensified. The wealthiest 500 some billionaires own as much wealth as the poorest 50 percent of humanity. One billion people have a bare subsistence existence while others are bloated with material excess. This gross disparity fuels 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 therefore 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 from country to city. There is wealth in the cities and, therefore, means of existence – but an existence unhealthy for body and soul. It 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 some million of 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 the prospects for their people's future are diminished.

Guaranteed basic necessities. There is growing recognition that 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, as it can be seen that 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 of life is also 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 is 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 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 glamor 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 fruit, gulls soar in the wind. Humans are no exception; we exist to express our human nature, and to 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, 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 are 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 special 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 the leaders of state grows acute. Alienation breeds disidentification, so that political institutions no longer bind communities as people disconnect from collective life and turn to narcissism, rebellion, or lawlessness.

Limitations of the Capitalist Paradigm

Can a socially and environmentally responsible capitalism provide solutions that 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 should be appreciated for injecting ethical considerations into commerce and for attempting to deal with the destructive external costs of corporate activity. There is no doubt that the greening of corporate enterprise can ameliorate the negative externalities of production and commerce. But capitalism with a green face simply 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. Let us see 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 assumptions, by its fundamental principles. Within this arena of possibility there can be variations in approach. Socially responsible investment and business practices, for example, can find their place. 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 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 its 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 many. And this contradiction contributes to most of the imbalances afflicting societies, individuals, and biosphere.

Humanity has come to a juncture in which it must either adopt a model of development that works for the planetary whole, or else 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., 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 model look like that optimally meets human needs?

It clearly cannot be the centrally planned, state-owned, forced-equality, command economy of communism. But in dismissing communism it should be pointed out that while differences are great between the communist economy and the capitalist free market economy, they are both forms of capitalism. The communist system is state capitalism and the free market system is a mix of group and individual capitalism. Both are forms of capitalism, so there is much shared logic and, therefore, similarity in their defects. Neither state capitalism nor group-individual capitalism deals well with the external costs of industrialism. Neither is kind to the biosphere. Neither insures that wealth is used to the benefit of all. Neither empowers local communities to shape their own economic destiny. And neither treats humans as spiritual beings or recognizes the spiritual unity of existence.

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. PROUT also envisions a new economic system. Here are some of the significant features of the economic model put forward by PROUT.

Cosmic inheritance. Capitalism’s principle of individual ownership rests on a materialist conception of wealth. PROUT, by contrast, is based on a spiritual conception of wealth. As Sarkar explains this conception, “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.” This concept of wealth is termed cosmic inheritance. According to this outlook individual ownership of wealth cannot be accepted as absolute. Everyone has the right to use the wealth created by the Cosmos, but none but the Divine Entity can claim ultimate ownership. The cosmic inheritance view of the ownership of wealth is consistent with the values held by most indigenous peoples.

Economic decentralization. The decentralist tradition has been espoused by, among others, Thomas Jefferson, Peter Kropotkin, E.F. Schumacher, Mahatma Gandhi, and Wendell Berry. Economic decentralization must be made a central objective of the new, humanistic economy. Hawken’s natural capitalism speaks of the

need to “replace nationally and internationally produced items with products created locally and regionally.” But it does not seem to appreciate how problematic this is within a capitalist economy, which has a natural tendency to irrevocably move toward globalization. A human centered economy, by contrast, will tend toward localization.

Worker-managed economy. The three most effective production incentives are profit-sharing, distributing equity, and access to participation in decision-making. These methods for increasing worker motivation tend to be mutually reinforcing. For example, the incentive effect of profit-sharing is magnified if workers are empowered with the decision-making authority required to implement innovations. The form of enterprise in which all three of these incentives approaches are maximized is the worker-owned and managed cooperative. Cooperatives are best suited to elicit the productive potential of workers, and should therefore be 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. In the quest for profit, industries are established where labor costs are lowest, powerful ad campaigns are conducted to entice consumers to buy junk, companies are purchased in leveraged buyouts and their assets plundered, and responsibility for environmental pollution is avoided. Now making profits cannot be ignored, as occurred in Soviet style state-run enterprises, but neither should it serve as the central rationale of economic activity. The central purpose of economic activity should be to meet the needs of people. So a humanistic economy should be consumption-motivated. Such an economy would increase the availability of consumer goods, and 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 necessities.

Economic democracy. Concentration of economic power and wealth perverts the political process. Moneyed interests finance campaigns, influence legislation, and corrupt regulatory agencies. In many developing countries, money buys votes outright. And the moguls of capital maintain the ultimate veto power of capital flight, so that if government policies are enacted which threaten their financial interests, they can 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. Said another way, democracy must be extended beyond the political sphere to include popular participation in the control of capital and the control of economic decisions.

Self-determined regional economies. People can best coordinate social and economic development when they share certain unifying factors, such as a common culture, shared economic potentials and problems, similar geography, and a common sentiment about their heritage. Such factors organically define regional socioeconomic units. Social and economic development undertaken within such regional units can be easily adjusted with local conditions, and so development can be better geared to 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 economic forces.

Balance. Balance is essential to all living systems, and balance needs to be restored to human society. In no realm is this more true than in the realm of economics. As detailed in the World Commission on Environment and Development's report, *Our Common Future*, most of the disruption of ecological systems is driven by economic forces. An ideal economy should exhibit the stability of process that is found in natural systems, not the disruptive growth processes found in cancer cells.

Neohumanistic values. The philosophy of humanism uses human welfare as the measure of social good. However, our world is the home not only of humans, but of all of Earth's life forms. So PROUT is based on a neohumanist value system that recognizes the existential rights of all living beings. Economic activity would not be allowed to violate the 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 an economics as if living beings matter. The neohumanistic outlook recognizes that humanity exists within the larger web of life, so that any harm we do to the web will ultimately effect us as well.

Spiritually based concept of progress. There is now much discussion about how best to conceptualize and pursue sustainable development. But generally absent from this discussion is consideration of the purpose of development. If the purpose of development is, as presently conceived, to increase material amenities, then sustainable development will result in little more than maintaining our materialist lifestyle without destroying the environment. But it will not help us attain inner fulfillment. For this we must reorient our idea of progress from a narrow focus upon material increase to the inclusion of movement toward self-realization. As people cannot pursue spiritual growth without a supportive material environment, a spiritually based conception of progress should include recognition of the need for material development. The purpose of development then becomes to aid our search for inner peace, not to fill our lives with things that empty our existence of meaning.

A More Powerful Vision

The greening of capitalism is a well-intended response to the critical need to deal with the detrimental by-products of capitalist investment, production, and consumption. Green consumerism, socially responsible investing, and ethical businesses deserve popular support. Progressive-minded people should embrace new ways of consuming, investing, producing — of building up new behaviors and new institutions and bringing change from within the old economy.

But if we stop here, the problems besetting humanity will only worsen. More fundamental solutions must be entertained and implemented. No matter how much scope there may be within the capitalist, free market economy to humanize production, protect the environment, support social justice, and vitalize local communities, this system is simply unsuited to fulfilling human needs on a universal basis. We should embrace the progressive reforms of the green capitalists, but we should not embrace the limiting and defective premises of capitalism, for humanity is

in need of a more powerful vision – one which can embrace the fullness of our spirit and the greatness of our human potential.