

Green Capitalism: A Primer

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Abstract: Irreversible damage has been done to the natural environment by human actions. Movements in the United States and around the world have continued to push for reforms to protect the environment in current capitalistic systems. Their efforts aim to transform our world which is dominated by capitalism to green and sustainable capitalism. Green capitalism refers to several political and economic strategies that are designed to redress environmental problems. Green capitalism promises a growing economy that uses less natural resources. This paper briefly introduces green capitalism.

Key Words: green capitalism, sustainable capitalism, environmental capitalism or eco-capitalism

I. INTRODUCTION

The worldwide concern of climate change (or global warming) has caused a large part of the world's population to respond with panic and prompt action. Due to the unfolding global climate crisis (such as hurricane Katrina in New Orleans), a movement for climate justice has emerged to challenge unsustainable environmental policies pursued in the United States and other nations, which have placed the most vulnerable in harm's way. Environmentalists do not believe the response to climate change is strong enough to counter climate change's effects. They are challenging the mainstream greens and demanding for more economic, social, and environmental change. Only such radical change can save the planet [1].

Green capitalism (also known as environmental capitalism or eco-capitalism) is a form of environmentalism that emphasizes the economic value of ecosystems that yields a renewable flow of economic goods and services to businesses and society. Capitalism will be greened by entire value chains moving to green their resources, activities, and products.

II. CAPITALIST SYSTEM

Capitalism may be regarded as a free market system where businesses pursue profits without intervention from governments. Within a capitalist system, private individuals and corporations own the means of production – the land, factories, machinery, and natural resources required to manufacture and produce goods. Capitalism needs the support of a free market economy where goods are bought and sold according to the laws of supply and demand. The capital markets set prices for goods, currency, stocks, and financial instruments according to the laws of supply and demand. The capitalist system cannot function unless people willingly consume the output of production [2].

Capitalism is an economic system with the following central characteristics: free/competitive markets, profit motive, private property, and wage labor [3].

- **Free Markets:** These are used with minimal or no regulation over the pricing mechanism. Prices tend to rise when demand for an available resource increases or its supply diminishes and fall with demand or when supply increases. Competition occurs when more than one producer attempts to sell similar products to the same buyers. You have to grow or you lose out to the competition.
- **Profit Motive:** In capitalism, the reason for being in business is to make a profit. Businesses seek to benefit by maximizing profit. Profits allow businesses to assess whether a product is worth producing and ensures that resources are not wasted. Critics argue that the profit motive encourages selfishness and greed.
- **Private Property:** Capitalism is an economic system based on private ownership of the means of production. Private capital tends to become concentrated in few hands. Private capitalists inevitably control main sources of information such as radio, TV, and education. Their level of control depends on how many shares they own.
- **Wage Labor:** This refers to the sale of labor under a labor-contract to an employer. Labor is important in the production of goods or services. The owner of the means of production purchases the labor power of the worker. The workers exchange labors for salaries.

III. CONCEPT OF GREEN CAPITALISM

Capitalism is characteristically exploitative of people and the natural world. It thrives on crises as they create new markets from which to generate profit. Proponents of capitalism argue that the government has little control over market. It is buyers, sellers, and consumers that ultimately drive the market.

Green capitalism (GC) was doomed from the start because maximizing profit and saving the planet are fundamentally in conflict. That's because corporate boards are not responsible to society, but to private shareholders. No corporate board can sacrifice earnings or put themselves out of business to save the humans.

Green capitalism involves governments, corporations, think tanks, charities, and NGOs, collaborating and implementing policies, practices and processes to incorporate nature into capitalist market. Green capitalism assures us that by serving prosperity/profit, people, and the planet—known as the triple bottom line—we will fix the market. See Figure 1 for the relationship between the three [4]. GC is permeating our culture with eco-friendly products from companies such as BP and Wal-Mart.

IV. VARIETIES OF GREEN CAPITALISM

A new technology alone will not protect the climate or green capitalism. Green capitalism comes in many forms. It is the outcome of the mix of green economy strategies that prevail in various domains. The following are common varieties of green capitalism [5,6]:

- *Externalities:* A central part of green capitalism is to correct for the market failure by treating the issue of pollution as an externality and factoring the pollution cost into expenses. Proponents of green capitalism regard environmental reform like pollution credits as transformative and progressive. Capitalist economists who do not factor in externalities are serving narrow, corporate interests.
- *Corporate Social Responsibility:* Capitalism will be greened through a company's commitment to corporate social responsibility. Corporate social responsibility refers to strategies companies conduct their business in a way that is ethical, society friendly, and beneficial to community and the environment. It may be considered as a company's commitment to improve societal, economic, and environmental well-being through business practices [7]. The concept of corporate social responsibility compels a company to account for social and economic costs as well as the environmental implications. Corporate self-regulation is the best and most efficient way to achieve green business models.
- *Green Energy:* A global energy revolution is needed to replace very profitable fossil fuel systems with renewables that are not yet cost-effective. Both governments and individuals have taken action to transform a society's energy sources from fossil fuels to renewable energy sources. Globally, governments provide subsidies to boost the renewable energy industry. The green businesses sprouted up in every sector from renewable energy to organic foods to eco-travel.
- *Green Consumption:* In capitalist economies, companies face irresistible pressures to grow and consume more resources and generate ever more pollution. Eliminating polluting industries and stopping hyper-consumption by the rich by themselves cannot achieve green capitalism. In green capitalism, the poor will have to be excluded from consumption. Consuming fewer resources—energy, raw materials, water—is good not only for the planet but also for profits. The endless production of disposable “consumer electronics” drives unsustainable resource overconsumption. Green consumption attempts to reduce environmental impacts by influencing consumer behavior.
- *Green Business:* Business plays a vital role in the development of environmental governance. Businesses and markets need to change by marketing “green” products like organic foods, less toxic house cleaners, and energy-efficient light bulbs. Green business (or sustainable business) is an enterprise that has minimal negative impact on the environment. It is making business operations more environmental friendly (or “green”) since a green environment is a social as well as business issue. Green business is part of an explosively growing economic sector which also includes green pricing, green purchase, green jobs, green management, green energy, green factory, green data centers, etc. [8].

V. BENEFITS AND CHALLENGES

Green capitalism is based on the use of scarce natural resources. The cleaner countries do not export their pollution by relocating companies but tend to take better care of the environment.

A major challenge is the interplay between companies with profit motives and government agencies with conservation motives. Contemporary capitalism and the environment are often represented as in irreconcilable opposition. There are fundamental conflicts between capitalism and environment sustainability [9].

Any capitalist system, green or otherwise, needs steady expansion of its markets, which means greater consumption of resources, energy, and land, as well as the resulting pollution and toxic waste. These problems create political deadlocks that make it difficult for the governing body to reach consensus [10].

These challenges seem to suggest that chances of capitalism being greened seem slim.

VI. CONCLUSION

Capitalism is in conflict with the conservation of nature. Infinite growth cannot exist in a world of limited resources. No person will deny that the sooner we work with nature, rather than against it, the better. Therefore, green capitalism is inevitable after all. It is going green by calculation.

Although green capitalism is an emerging form of environmentalism, it is already changing consumer behavior. People around the world are embracing GC because it creates a higher standard of living for every person and community. More information about green capitalism can be found in the books in [1,11-19] and more books available at Amazon.com.

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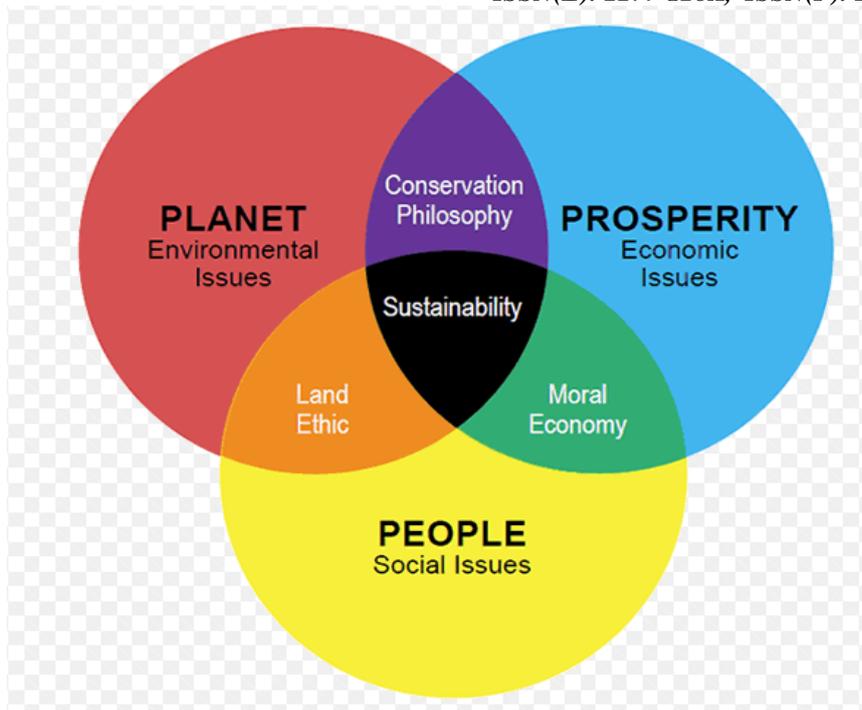


Figure 1 The relationship between people, planet, and prosperity [4].