

Is Sustainable Capitalism an Oxymoron?

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Abstract

Is Joel Kovel right that it is either “the end of capitalism or the end of the world”? Or are Paul Hawken, Amory and Hunter Lovins right that we are on the brink of a “natural capitalism” that can usher in an ecological and social utopia, “a world where cities have become peaceful and serene because cars and buses are whisper quiet, vehicles exhaust only water vapor, and parks and greenways have replaced unneeded urban freeways. . . . Living standards for all people have dramatically improved, particularly for the poor and those in developing countries. Involuntary unemployment no longer exists. . . .” I argue that while Hunter-Lovins’ have much to offer and Kovel overstates his case, a sustainable capitalism is highly unlikely. I sketch an alternative to both “natural capitalism” and Kovel’s non-market socialism that is more promising than either.

Keywords

capitalism, socialism, sustainability, natural capitalism, exponential growth, ecological crisis, economic democracy

Marx says that revolutions are the locomotives of world history. But the situation may be quite different. Perhaps revolutions are not the train ride, but the human race grabbing for the emergency brake.

Walter Benjamin

The subtitle of Joel Kovel’s *The Enemy of Nature* (originally published in 2002, revised edition 2007) states his thesis bluntly: *The End of Capitalism or the End of the World?* Kovel thinks we need a revolution—although he is fully cognizant as to how remote that prospect seems.

Growing numbers of people are beginning to realize that capitalism is the uncontrollable force driving our ecological crisis, only to become frozen in their tracks by the awesome implications of this insight (Kovel 2007:xi).

Paul Hawken, Amory Lovins and Hunter Lovins also think we need a revolution, but of a different sort than the one envisaged by Kovel. Their book,

Natural Capitalism (published in 1999), is subtitled *Creating the Next Industrial Revolution*. Then-President Clinton is reported to have called it one of the five most important books in the world today.

Hawken and the Lovins' agree with Kovel that the current model of capitalism is problematic. "Capitalism, as practiced, is a financially profitable, non-sustainable aberration in human development (Hawken, Lovins, and Lovins 1999:5)." But they do not see the problem as residing in capitalism itself. They distinguish among four kinds of capital, all necessary for production: human capital, financial capital, manufactured capital and natural capital. The problem with the current form of capitalism, they argue, is its radical mispricing of these factors. Current market prices woefully undervalue—and often do not value at all—the fourth factor: the natural resources and ecological systems "that make life possible and worth living on this planet (*Ibid.* 2)."

All economists, liberal, Left and Right, recognize that market transactions can involve "externalities"—costs (or benefits) not paid for by the transacting parties. All agree that there is a role for governments to play in rectifying these defects. The standard remedies involve taxation (for negative externalities) and subsidies (for positive externalities). More recently, "cap and trade" schemes for carbon emissions have been added to the list.

Hawken and the Lovins' argue that these remedies—properly applied—can work. The first step, they say, is to eliminate the *perverse* incentives now in place. They document the massive subsidies that governments currently provide for ecologically destructive behavior, e.g. highway construction and repair, which encourages suburban sprawl and the shift away from more efficient modes of transportation, agricultural subsidies that encourage soil degradation and wasteful use of water, subsidies to mining, oil, fishing and forest industries, etc.

Second step: impose resource and pollution taxes so as to reflect the true costs of "natural capital." Sweeten the pie by phasing out all taxes on labor—the payroll tax, which increases unemployment, and income taxes as well. The point is to level the playing field so that more sustainable technologies and more energy-efficient processes can compete fairly with the destructive practices of "industrial capitalism." We might even want to go further, and subsidize—at least initially—the technologies that reduce the negative environmental impact of our production and consumption choices.

Natural Capitalism is chock full of examples of the shocking waste pervasive in our current system and of the existing technologies and procedures that could reduce our impact on the environment to a small fraction of what it is now. Many of these changes are already underway. Many more will follow if appropriate government policies are adopted. Hawken and the Lovins' envisage a bright future: