

*Book Review:*

## **The Ecology of Commerce**

*By Paul Hawken*

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Networking for Democracy

Our world is in the midst of an environmental crisis. The biosphere is being destroyed, possibly irreversibly, by the demands placed on it by an industrial society flawed in its central components. Yet the same forces that created the problem, both the market and state intervention, are capable of providing solutions if intelligence can prevail over greed.

This is the core thesis of Paul Hawken's important new book, *The Ecology of Commerce*. The fact that the author has taken a market driven model as the centerpiece of his solution will give all ideologues on all points of the political spectrum the wrong idea. Hawken is not driven by ideology, but by a pragmatic approach combined with a deep sense of urgency. As he sees it, the market is a natural formation much like a mountain range or a tropical rain forest. Markets arise and function as a result of the forces that make them up. Markets do not initiate anything in or of themselves. Any solutions to problems caused by business will of necessity utilize the marketplace.

In his preface, Hawken offers eight objectives he feels must be met to solve the environmental crisis:

- "Reduce absolute consumption of energy and natural resources in the North by 80 percent within the next half century."
- "Provide secure, stable, and meaningful employment for people everywhere."
- "Be self-actuating as opposed to regulated or morally mandated."
- "Honor market principles."
- "Be more rewarding than our present way of life."
- "Exceed sustainability by restoring degraded habitats and ecosystems to their fullest biological capacity."
- "Rely on current income."
- "Be fun and engaging, and strive for an aesthetic outcome."

Hawken starts by making it clear that not only is business the problem, it must also become the solution. He reformulates the question of "How do we save the environment?" into "How do we save business?" After laying out the depth of the environmental crisis, he contrasts the ideas of immature and mature ecological systems, stating that our world economy is best thought of as an immature ecological system -- one that grows fast and does not do a good job of recycling its wastes. The chapter titled "The Death of Birth" refers to the enormous extinction rate now occurring and explains the fearful consequences of exceeding the carrying capacity of the biosphere. Here as with the rest of the book, Hawken attempts to bridge the gap between environmentalists and business people by pointing out that finding a solution to this crisis is in everyone's interest. Good environmental policy, in other words, is also optimal business policy.

However, Hawken also insists that structure of the world's industrial economy is what pits business against the environment.

Changing this structure is really what this book is about.

In Chapter 3, Hawken exposes the legacy of industrial waste, especially non-degradable toxic waste. He takes on the fallacy that the solution to today's problems is better clean up programs:

"Industry's only answer is to clean it all up -- or to try to. But what does that mean? How do you throw away a toxic molecule? To celebrate the environmental clean-up sector of the economy as a 'growth industry,' is worse than ignorant. We might as well celebrate cancer treatment as a growth industry, rather than take cancer epidemics as a warning about the hundreds of toxic chemicals loosed in the environment. Business must add value to the economy and the society in order to make a positive contribution. 'Environmental' companies that limit the damage done to the environment and to human beings by other companies, strictly speaking, do not add value. Reducing the harm caused by 'growth' is a self-cancelling contribution at best, no more a factor in real economic growth than the rescue of a man who has been thrown overboard is an act of mercy."

Hawken puts human economics in context. He goes back to the concept of ecological succession--where an immature ecology becomes a mature ecology--and calls for "commercial succession" whereby our world industrial economy can become a mature ecosystem. The use of ecological concepts here is both welcome and innovative. All too often scientists attempt to reduce ecology to analogies in physics (even E.O. Wilson of Harvard is guilty of this and he is nothing if not an environmentalist). Hawken turns this around and uses ecology as the base model and measures our world economy against other ecosystems. This has the effect of subsuming economics as a specialized subset of ecology. This allows him to demonstrate over and over again how narrow and inefficient current business practices really are.

Hawken proposes changes so business will function in a restorative rather than a degrading mode toward the environment. He offers some positive and often intriguing examples--pollution permits, reusable containers and the elimination of non-degradable toxics from industrial processes. For example, laws could be passed so that corporations had to own whatever toxics or wastes they produced. These waste products could be chemically marked at a molecular level so

they could always be easily identified. Then the corporation would be charged a yearly "parking fee" for the storage of these wastes. This would give industry good incentives not to use toxics in the first place or at least good incentive for figuring out how to break them down into reusable products. He summarizes: "In a restorative economy, the least expensive means of manufacturing a product should be the most environmentally benign and constructive means."

Taxation plays an important role in Hawken's analysis. He argues: "Markets are superb at setting prices, but incapable of recognizing costs." The idea here is that business has been given a free ride for centuries. It could exploit all of the natural resources of the planet, make a profit, and not have to bear any the negative costs of the result. The public thus not only provides the source of a business' profit by allowing access to the public commons in the form of nature, it also must pay--either through taxes or decreased health and welfare--for the damage business does to the environment in pursuit of that profit.

Hawken explains that the idea for "green taxes" did not start with him. In 1920, Nicolas Pigou, an English economist, proposed taxing businesses for environmental damages. This will provide incentives for business to produce things in an environmentally sound way and it will also give a competitive advantage to products that have a smaller impact on the environment.

But what can national taxation do in a world of multinationals? Here Hawken demonstrates that multinationals have quickly become the main factors in the world economy and in world politics. He explains how large corporations are on a positive feedback loop narrowly focused on the growth of their profits. Then he shows how the purpose of the GATT treaty is really to make it more efficient for multinationals to grow without encumbrance.

One of GATT's provisions, for example, is that countries with strong environmental regulations must not inhibit the import of products that violate their own laws! The point here is that "free trade" is just an empty phrase which really means that multinationals should be able to act in their own narrow interests independent from any national, regional or international laws. Furthermore, given the enormous power of these corporations, they have been accelerating the damage to the planet.

To set a context for his solutions, Hawken explores how the modern corporation evolved. In particular he is concerned about the relative lack of accountability and limited liability of modern corporations. He shows how in early American history, U.S. corporations were looked on suspiciously and their power was limited. One of the consequences of the civil war, however, was the lifting of many of these limits. For instance, interlocking directorates and the ability of a corporation to own a newspaper were allowed.

This has caused a number of ironies. One is that the First Amendment, which was created to promote the democratic exchange of ideas among citizens, is now used primarily to protect corporate control of the news media, despite its having decreased our democratic dialog from a flood to a small trickle. Corporations also regularly use lobbying, media campaigns, lies and corruption to control events. Hawken ends this line of criticism with this question: "It is interesting to note that the death penalty for individuals is less controversial than the mere

suggestion that a few corporations may have forfeited their right to exist. How many people does a company have to harm before we question if it ought to exist?"

Hawken next defines what he means by a sustainable business. His guidelines mainly mean that the waste from one process needs to be the input for another process--and that all of these inputs and outputs should form closed loops. To require sustainability, he returns to "green taxes" to get the public and private interests back in line. As an example, he applies green taxes to energy and demonstrates how different tax structures can lead to completely different results:

"The EPA commissioned a study to examine the effects of a \$15/ton carbon tax rising 5 percent per year until the year 2010, and found that if the money were used to cut income taxes, it would reduce economic growth \$870 billion during that period, whereas if the money were used for investment tax credits, it would result in additional GNP growth of \$2.6 trillion."

Hawken summarizes with three principles:

- "Obey the waste equals food principle and entirely eliminate waste from our industrial production."
- "Change from an economy based on carbon to one based on hydrogen and sunshine."
- "Create systems of feedback and accountability that support and strengthen restorative behavior..."

I have two major criticisms to offer Hawken. One is that his analysis needs to be extended into the realm of social justice. The second is that he lacks a political analysis about how to accomplish his objectives. In the end he is left with moral persuasion as the major vehicle to effect change.

Human beings are clearly part of the human and world ecology. Among the hidden costs of industrial economies are their affects on the lives of working people. One of the enduring criticisms Karl Marx made of capitalism was its inability to provide full employment. Updating that point with Hawken's terminology would label capitalism today as an immature ecosystem and would require an ecologically mature (sustainable or restorative) economy to provide a secure living for all who work in it. Along the same line, institutional racism has created the social equivalent of a "labor toxic waste dump" with a large pool of permanently unemployable people whose lives are consigned to increasingly horrific levels of violence and depravity.

Hawken only narrowly focuses on what has been traditionally delineated as the environment; he would be more consistent if social justice issues were treated more thoroughly with the same analysis.

Hawken's narrowness may reflect the traditional intellectual's alienation from industry. Going back at least as far as Emerson, this tradition partitions the world into "Nature" and "Man" and offers up the Earth as an object for Man to subdue. This framework clearly plays into the hands of the industrialists, as this book so ably shows. By subsuming all human enterprise under the ecology of the Earth, the alienation is overcome and new creative solutions become immediately

available. It is ironic that Hawken, who really opens up this possibility, does not seem to fully understand its implications.

One of the nice effects of Hawken's formulation is the way it can be used to eliminate "laundry list coalitions," where all social justice and environmental issues are listed in some order as principles of unity. These coalitions have a terrible history of disunity, since their very definition creates huge opportunities for disagreement. But coalitions built around the concept of "ecological maturity" can unite all of these seemingly disparate issues under one roof in a very neat and elegant fashion--as long as the concept of ecology is seen in its most inclusive (and thus most realistic) context.

The book's other main problem is the lack of reference to a political program. Clearly this is not a valid critique of Hawken; he can't be required to do everything and he has done quite a bit as it is. Still none of the items that he proposes will be possible to implement without political change.

Hawken makes it clear that he sees large multinational corporations as the enemy and they are likely to resist change at every opportunity. That's why the changes Hawken is proposing are revolutionary in practice. As Hawken himself mentions several times, he wants to reinvent or change the whole structure of business. Structural changes on this order are always revolutionary, often violent and never easy. The current industrial interests are dangerous and will not change because of moral exhortations or even good ideas like the ones Hawken presents. The challenge for revolutionaries who unite with this program is to build those ties in ways that will sustain the movement through some very tough times.

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