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Author

Bendell, Jem, Cohen, Jonathan

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AUTHOR(S) Jem Bendell and Jonathan Cohen

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Aizlewood's Mill, Nursery Street, Sheffield S3 8GG, UK

Tel: +44 (0)114 282 3475 Fax: +44 (0)114 282 3476

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World Review

January–March 2009

A synopsis of the key strategic developments in corporate responsibility around the globe over the last quarter



Jem Bendell
Associate Professor, GBS



Jonathan Cohen
*Senior Associate,
Lifeworth*

The return of government

A MAJOR IMPLICATION OF THE GLOBAL financial crisis is the return of government to a leading role in national economies. A hands-on role for the state has been the norm in some countries, but the past two decades witnessed a rolling-back of government involvement even in communist or former communist countries such as China, Vietnam and Cambodia. In 2009, as new government regulations were announced, as further nationalisations of financial institutions became necessary, and as economic stimulus packages were agreed around the world, government once again took on a position to shape economic activity. How it would use that role, and the implications for social and environmental performance of business, will only be understood in the years to come, but there were some early signs in the first quarter of 2009. In this review

we note the scale of the stimulus packages, the sustainable business dimensions of these spending announcements, and the implications for achieving a sustainable economy, before recalling what the private sector is meant to be good for—innovation—and looking at how a return of greater government shaping of our economies might relate to the need for sustainable innovation. We also consider what the post-crisis situation spells for the future of the community of professionals working in corporate social responsibility (CSR).

Reviewing the world of government responses to the global economic downturn revealed an unprecedented international effort to prop up economic growth and employment. In March, the International Monetary Fund called for stimulus of approximately 2% of gross domestic

product (GDP) each year for 2009–2010, depending on national circumstances.¹ Asian countries committed \$1.153 trillion in stimulus money,² with the spending plans ranging from 1–12% of GDP, with the Philippines at 4.4% and China at 12%.³ According to the European Commission, the executive arm of the 27-nation bloc, EU stimulus amounted to between 3.3% and 4% of GDP.⁴ The US committed \$787 billion, or about 5.5% of GDP.

In Latin America, larger economies—Argentina, Brazil, Chile, Mexico and Peru, with lower debt-to-GDP ratios, announced stimulus plans. Smaller economies with debt that was already over 50% of GDP in cases before the collapse in exports didn't have the public finances for stimulus plans.⁵

Combined with the nationalisation of troubled industries, the growth of government spending under the stimulus packages highlights how governments around the globe now have a central economic leadership role that could drive the next phase of CSR—not merely through regulation of private industry, but by being the client, investor, lender, insurer and marketer.

We discuss how government is using this power in the following section. However, one CSR challenge that is set to grow on account of this greater role of government is that of corruption, cronyism and inappropriate lobbying. Industries that rely on government as their main consumer have a track record of being politically involved; such industries include

arms, construction and pharmaceuticals. Now that government is becoming an even bigger client of a diverse range of industrial sectors, so the scope for unprofessional practice, corruption and uncompetitive lobbying to occur is increasing. If untrammelled markets and central decision-making aren't the answer—and shared governance is—then transparency is essential in rebuilding lost trust. The return of government with \$2.8 trillion in stimulus opens the door to unprecedented scrutiny of spending which will be inextricably linked to the private sector, blurring and extending lines of accountability.

The sheer scale of deficit-financed stimulus spending, with public money passing into and propping up private for-profit institutions—which threatens in some cases to bankrupt governments and essential services—has tightened the screws of corporate governance because of a macro-economic system dependent on corporate welfare.

In consideration of this, China announced the deployment of inspection teams to monitor all aspects of stimulus funding, including planning, procurement, construction and quality. Inspectors will 'check whether the money is used to build office buildings or guesthouses of party and government departments'.⁶ China wasn't the only country placing an emphasis on transparency. A new US Recovery Act Accountability and Transparency Board was created to conduct oversight of recovery spending.⁷ Further, US Treasury Secretary Tim Geithner told

1 Mauricio Cárdenas and Julia Guerreiro, 'The Limits to Fiscal Stimulus in Latin America and the Caribbean', Brookings Institution, 20 March 2009; www.brookings.edu/articles/2009/0323_latin_america_cardenas.aspx.

2 HSBC, Climate for Recovery, 'The colour of stimulus goes green', 25 February 2009; www.hsbcnet.com/hsbc/research.

3 Erik de la Cruz, 'RP will benefit the most from fiscal stimulus—UOB', Business Mirror, 24 March 2009; <https://abs-cbnnews.com/business/03/23/09/rp-will-benefit-most-fiscal-stimulus-uob>.

4 The EU number included public spending on welfare which automatically starts to increase during an economic downturn because of higher unemployment and social benefits, or what are called automatic stabilisers.

5 Cárdenas and Guerreiro, *op. cit.*

6 'China stimulus package under scrutiny', *The Hindu*, 25 November 2008; www.hindu.com/2008/11/25/stories/2008112559631300.htm.

7 Committee on Appropriations, 'Summary: American Recovery and Reinvestment. Conference Agreement', 13 February 2009; appropriations.house.gov/pdf/PressSummary02-13-09.pdf.



US TREASURY SECRETARY TIM GEITHNER: A CALL FOR GREATER TRANSPARENCY



NICK ROBINS: 'THESE COMMITMENTS ARE BUT THE FIRST INSTALMENT'

the House Financial Services Committee, 'We need much stronger standards for openness, transparency, and plain common sense language throughout the financial system.'⁸

The sustainability of stimulus

IN MARCH, THE CHIEF EXECUTIVE OF Business for Social Responsibility,⁹ Aron Cramer, told *JCC* that this period marks the end of an era that started in the late 1970s with the rise of Ronald Reagan and Margaret Thatcher, privatisation, shrinking government, and the Washington Consensus. It has been an era in which some of the world's biggest celebrities have been CEOs. However, with the sudden collapse in trust in business and markets, the pendulum has begun swinging back towards greater reliance on the public sector for the safeguarding of public

security and prosperity.¹⁰ This has implications for the future of corporate citizenship.

Even before the crisis fully revealed itself, a blueprint emerged for subsequent stimulus plans—'A Green New Deal' (GND).¹¹ A report from British civil society organisations called for a 'structural transformation of the regulation of financial systems, and major changes to taxation systems', and 'New Deal size investment in renewable energy and green jobs to create the basis for a low carbon economy'.

Elements of 'A Green New Deal' could be found in stimulus packages unveiled by country after country with more than \$430 billion addressing GND elements, according to a report from HSBC in February 2009. Report co-author Nick Robins wrote, 'We believe that these commitments are but the first instalment of further efforts by governments to use low-carbon growth as a key lever for economic recovery.'¹²

8 US Department of the Treasury, 'Treasury Secretary Tim Geithner Written Testimony House Financial Services Committee Hearing', press release, 26 March 2009; www.treas.gov/press/releases/tg71.htm.

9 www.bsr.org

10 Interview with Jonathan Cohen, 18 March 2009.

11 'UK needs "Green New Deal" to tackle "triple crunch" of credit, oil price and climate crises', New Economics Foundation, 21 July 2008; www.neweconomics.org/gen/greennewdealneededforuk210708.aspx.

12 HSBC, *Climate for Recovery*, *op. cit.* This issue of *JCC* covers the first quarter and does not reflect any monies committed by the G20 after that date.

Stimulus plans can be evaluated based on how quickly they get economies back up and running, but the added value in their 'Green New Deal' elements lies in how much they leverage the investment and also build the future infrastructure for a low-carbon economy that will pay dividends for generations to follow. Government stimulus plans focused investment in the following categories: renewable energy electricity grids, mass transit, low-carbon vehicles, building efficiency and environmental conservation, as well as education and healthcare. In addition, government restructuring of tax codes and financial incentives was a common option for codifying and spurring sustainable economic development (see Figs. 1 and 2 for country-by-country breakdowns of spending).

A report issued by the UN Environment Programme in February 2009, 'A Global Green New Deal', stated that energy efficiency improvements and green tax credits in stimulus plans are particularly effective because they 'continue well beyond the initial investment period and offer higher employment compared to jobs created by conventional tax cuts and road infrastructure investments that end once the money is spent'. Additionally, they offer greater return on investment to households through lower energy bills. Investments that provide alternatives to car use reduce pollution and emissions as well as creating employment.¹³

Further, the Peterson Institute for International Economics and World Resources Institute report from February, 'Green Economic Stimulus Creates Jobs, Saves Taxpayers Money', wrote, 'On average, green recovery programs create 30,000 jobs for every \$1 billion in government

spending.'¹⁴ The Center for American Progress released a report, 'Green Recovery: A Program to Create Good Jobs and Start Building a Low-Carbon Economy', which estimated that US Green stimulus spending would engender a '20 percent increase in job creation over more traditional infrastructure spending'.¹⁵

Crunch the green numbers of stimulus plans from a given country and, aside from the absolute amounts, their percentage of overall spending demonstrated commitment to 'Green New Deal' elements.

China led the way with \$221 billion in spending on GND elements or some 38% of stimulus, while the US allocated \$94 billion or about 12%. South Korea meanwhile devoted about \$31 billion on GND initiatives or just over 80%—by far the highest proportion of any country (see Table 1 for a breakdown of South Korea's spending priorities). EU social safety nets resulted in a smaller stimulus, although the climate change dimension was seen as greater than in the US, due to a focus on low-carbon investment in France, Germany, and at the EU level, according to the UNEP report¹⁶ (see Figs. 1 and 2 for country rankings).

Opportunities for large capital-intensive infrastructure improvements will not come along again any time soon as economies gradually recover to newly emerging levels. Government procurement stands as the single greatest vehicle to scale up corporate social responsibility practices moving ahead, particularly through the adoption of standards to codify change.

Were China to follow up its impressive green stimulus spending with a similar commitment to government procurement in a top-down regime, it could quickly

13 UN Environment Programme, 'A Global Green New Deal', February 2009; www.unep.org/greeneconomy/docs/GGND_Final%20Report.pdf.

14 Peterson Institute for International Economics and World Resources Institute, 'Green Economic Stimulus Creates Jobs, Saves Taxpayers Money', 10 February 2009; www.wri.org/press/2009/02/green-economic-stimulus-creates-jobs-saves-taxpayers-money.

15 Robert Pollin, Heidi Garrett-Peltier, James Heintz and Helen Scharber, 'Green Recovery: A Program to Create Good Jobs and Start Building a Low-Carbon Economy', Center for American Progress, 2008; www.americanprogress.org/issues/2008/09/pdf/green_recovery.pdf.

16 UN Environment Programme, *op. cit.*

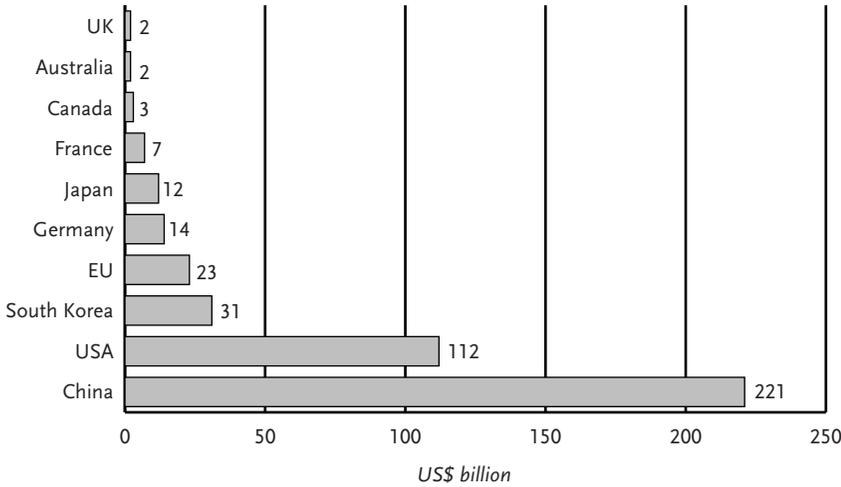


Figure 1 GREEN STIMULUS REGIONAL RANKING (US\$ BILLION)

Source: HSBC estimates

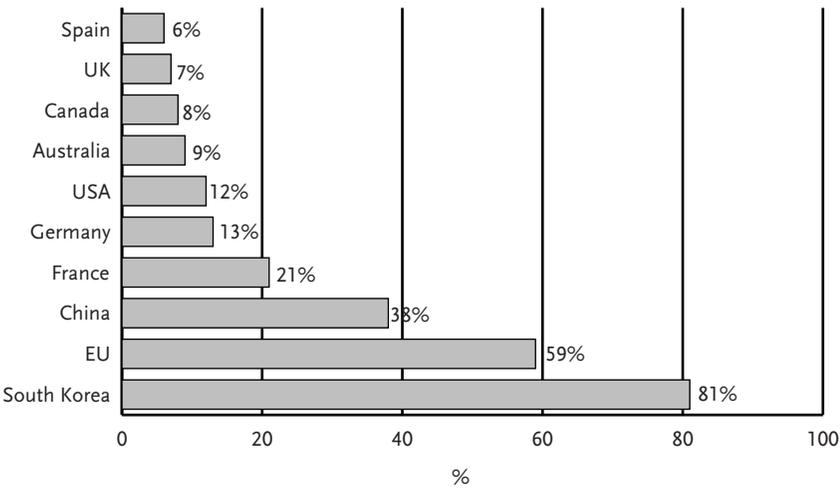


Figure 2 GREEN STIMULUS REGIONAL RANKING AS A PERCENTAGE OF TOTAL STIMULUS

Source: HSBC estimates

demonstrate the possibilities of unprecedented CSR scale. This would not exactly be new policy either, as China announced a new ‘green procurement’ policy in late 2006 based on a list of recommended products carrying ‘China’s only national

eco-label, which an official explained could make the government “the real driving force for industry to develop green technology”¹⁷.

In fact, scale is the heretofore unrealised holy grail of CSR: the International

17 ‘Chinese government to start buying green’, GreenBiz.com, 4 December 2006; www.greenbiz.com/news/2006/12/02/chinese-government-start-buying-green.

Council on Local Environmental Initiatives (ICLEI) has documented green procurement by numerous countries and localities,¹⁸ with Denmark and Japan cited as particular successes.¹⁹ 'Following the introduction of the 2001 national law on green purchasing in Japan,²⁰ the price of environmentally friendly product alternatives, such as recycled paper, has dropped to equal the nongreen alternatives', according to 'Moving the Market', a report from the EcoProcura conference on sustainable procurement.²¹ Other municipalities and governments have taken similar initial steps, such as the Queensland government announcement in August 2007 of a new 'green' IT procurement plan, covering all government agency purchases of PCs, laptops and servers.²² Mexico decreed in 2008 that it would green its procurement of paper and wood products and buy chlorine-free paper made of at least 50% recycled material.²³

One example of the importance of monitoring follow-up to stated commitments and adherence to related standards, however, can be found in the UN Office for Project Services (UNOPS). It announced with great fanfare in June 2000 that it would be the first UN Entity to sign on to the SA8000 labour standard to improve the social accountability of its procurement process with suppliers and vendors, as

well as its own facilities; but later quietly dropped that commitment.²⁴ While the agency's procurement policy claims observance of relevant International Labour Organization agreements, the third-party certification and monitoring inherent in the application of SA8000, which provides credibility, is nowhere to be found.²⁵

External third-party verification and assurance stand as the most trustworthy governance bulwark against corruption, incompetence and squandering of a generation's Green New Deal legacy. The potential exists for a wave of new demand for CSR auditors and the education and training necessary to prepare them to close the loop on the gap between stimulus spending and accountability. Without transparently communicated accountability measures, subsequent instalments of governmental low-carbon investment may not materialise, as anticipated by Robins and HSBC.

In addition to procurement, a harbinger of a greater governmental role in socially responsible investing can be found in the response to the global financial crisis by the board of the UN Principles for Responsible Investment (UNPRI), an investor initiative that includes some of the world's largest pension funds. UNPRI released a public statement from the board in March 2009 that 'urged fellow

18 'Examples of Sustainable Procurement Strategies and Policies'; www.iclei-europe.org/index.php?id=5556.

19 Christoph Erdmenger (ed.), *Buying into the Environment: Experiences, Opportunities and Potential for Eco-procurement* (Sheffield, UK: Greenleaf Publishing, 2003; www.greenleaf-publishing.com/buying).

20 'Law Concerning the Promotion of Procurement of Eco-friendly Goods and Services by the State and Other Entities'; www.env.go.jp/en/laws/policy/green/1.pdf.

21 'EcoProcura Call for Action: Moving the Market'; www.iclei-europe.org/fileadmin/user_upload/EcoProcura2006/EcoProcura_final_www.PDF.

22 Liam Tung, 'Qld govt sets lean, green PC shopping policy', ZDNet Australia, 27 August 2007; www.zdnet.com.au/news/hardware/soa/Qld-govt-sets-lean-green-PC-shopping-policy/0,130061702,339281538,00.htm?feed=pt_government.

23 Eliza Barclay, 'Mexican government establishes green procurement standards', 12 April 2007; www.treehugger.com/files/2007/12/mexico_to_boost.php.

24 Jonathan Cohen, 'The United Nations and the Globalisation of Corporate Citizenship', in J. Andriof and M. McIntosh (eds.), *Perspectives on Corporate Citizenship* (Sheffield, UK: Greenleaf Publishing, 2001; www.greenleaf-publishing.com/citizenship).

25 UNOPS Procurement Manual, Rev. 2, December 2007, www.unops.org/SiteCollectionDocuments/Procurement%20docs/UNOPS%20procurement%20manual%20EN.pdf; UNOPS General Conditions for Goods, August 2005, www.unops.org/SiteCollectionDocuments/Procurement%20docs/UNOPS%20General%20Conditions%20for%20Goods.pdf.

institutional investors to accept their share of responsibility for the current crisis, to work together to improve risk management practices, and create a culture of “active ownership” in response to the crisis’.²⁶ The board includes representatives from governments such as Brazil, New Zealand, South Africa, Thailand, the US and the UK.

Implications for companies and countries from the surge in government spending can be found in the following key areas:

- ▶ China committed more to renewable electricity grid infrastructure than any other country—\$70 billion²⁷—while the US devoted \$11 billion as well as \$6 billion in renewable energy loan guarantees for power generation and transmission,²⁸ and France spent over \$4 billion²⁹
- ▶ Mass transit necessarily entails a long-term view, which China’s green stimulus package took by spending \$85 billion on rail transport.³⁰ The US included \$17.7 billion for energy-efficient transportation,³¹ and South Korea spent \$7 billion on railroads and mass transit.³² Brazil in turn said it would rely completely on private-sector investment to build a high-speed train between Rio de Janeiro and São Paulo, which limited government debt, but placed the project in doubt due to a difficult credit climate³³
- ▶ Spending on low-carbon vehicles was included in stimulus by the US, South Korea, France, Denmark and Spain. The US gave \$2 billion to US manufacturers of advanced vehicle batteries and battery systems, and spent \$600 million to replace older vehicles owned by the federal, state and local governments with alternative-fuel and plug-in automobiles—and this does not include measures taken to bail out the automotive industry
- ▶ South Korea spent almost \$1.5 billion on fuel-efficient vehicles and clean fuels,³⁴ whereas France included over \$500 million in incentives to do away with older vehicles and spur purchase of new, environmentally friendlier models.³⁵ Denmark instituted a new green vehicle tax that will make it cheaper to buy energy-efficient vehicles but more expensive to use cars, and Spain’s stimulus called for plans to install an electric car infrastructure in Seville, Madrid and Barcelona with cars to be purchased with state subsidies of up to 30%³⁶
- ▶ Retrofitting buildings for energy efficiency was included in stimulus packages by countries such as Japan, Germany, the US, South Korea and Australia. Japan spent the most in this category, \$12.5 billion, Germany second at a shade over \$10 billion,³⁷ while the US Spent \$5 billion for low-

26 ‘Global pension fund leaders call for more active, collaborative owners in response to crisis’, UNPRI media release, 23 February 2009; www.unpri.org/files/PR_statement_final.pdf.

27 Deborah Seligsohn, ‘A “Green Lining” in China’s Economic Stimulus Plan’, World Resources Institute, 26 November 2008; www.wri.org/stories/2008/11/green-lining-chinas-economic-stimulus-plan.

28 NRDC, ‘Summary of Energy and Transportation Provisions of the Economic Recovery Bill’, 19 February 2009; [switchboard.nrdc.org/blogs/paltman/media/Econ%20Rec%20Bill%20Summary%20\(Final\)%202-19-09.doc](http://switchboard.nrdc.org/blogs/paltman/media/Econ%20Rec%20Bill%20Summary%20(Final)%202-19-09.doc).

29 HSBC, *Climate for Recovery*, *op. cit.*

30 Seligsohn, *op. cit.*

31 NRDC, *op. cit.*

32 HSBC, *Climate for Recovery*, *op. cit.*

33 Cárdenas and Guerreiro, *op. cit.*

34 HSBC, *Climate for Recovery*, *op. cit.*

35 *Ibid.*

36 Dave Burdick, ‘Project Movele: Spain’s Electric Car Plan’, Huffington Post, 19 March 2009; www.huffingtonpost.com/2009/03/19/project-movele-spains-ele_n_176779.html.

37 HSBC, *Climate for Recovery*, *op. cit.*

Project	Employment	US\$ million
Expanding mass transit and railroads	138,067	7,005
Energy conservation (villages and schools)	170,702	5,841
Fuel-efficient vehicles and clean energy	14,348	1,489
Environmentally friendly living space	10,789	351
River restoration	199,960	10,505
Forest restoration	133,630	1,754
Water resource management (small and mid-size dams)	16,132	684
Resource recycling (including fuel from waste)	16,196	675
National green information (GIS) infrastructure	3,120	270
Total for the nine major projects	702,944	28,573
Total for the Green New Deal	960,000	36,280

Table 1 SOUTH KOREA'S GREEN NEW DEAL

income weatherisation programmes, and \$4.5 billion for federal building energy efficiency renovations and repairs.³⁸ South Korea included approximately \$6 billion for environmentally friendly buildings and schools, and Australia spent \$2.5 billion³⁹

- ▶ South Korea stood out as the single most prominent country to focus on environmental conservation as a vehicle for economic stimulus with a commitment of over \$10 billion for river restoration, more than any other single part of its stimulus plan, with another \$1.7 billion on forest restoration as well⁴⁰
- ▶ Latin American countries—Argentina, Chile, whose stimulus constituted the largest percentage of GDP in the region, Mexico and Peru, all allocated money for social programmes

in areas such as education and health-care,⁴¹ as did Eastern Europe countries, such as Bulgaria, to a lesser extent⁴²

- ▶ Government restructuring of tax codes and financial incentives were a favourite measure of many countries, including Denmark, the US, France and the Czech Republic. Denmark took one of the strongest tax reform measures of any country and instituted binding incremental emission caps on industry, with the resultant revenue to be used in green tax reform that decreases taxes on labour and increases taxes on pollution.⁴³ The US committed approximately \$20 billion in clean energy tax incentives.⁴⁴ France instituted a tax system for CO₂ emissions from cars,⁴⁵ and the Czech government provided tax incentives for new car purchases⁴⁶

38 NRDC, *op. cit.*

39 HSBC, *Climate for Recovery, op. cit.*

40 *Ibid.*

41 Cárdenas and Guerreiro, *op. cit.*

42 'Factbox: Europe's fiscal stimulus plans', Reuters, 16 February 2009; www.reuters.com/article/economicNews/idUSLG71844920090216.

43 Burdick, *op. cit.*

44 NRDC, *op. cit.*

45 HSBC, *Climate for Recovery, op. cit.*

46 Reuters, *op. cit.*

Country	Fund (US\$ bn)	Period (years)	Green Fund (US\$ bn)	Green Fund percentage	Low-carbon power			Energy Efficiency (EE)			Water/waste
					Renewable	CCS/other	Building EE	Low C vehicles	Rail	Grid	
Asia Pacific											
Australia	26.7	2009–12	2.5	9.3%	–	–	2.48	–	–	–	–
China	586.1	2009–10	221.3	37.8%	–	–	–	1.50	98.65	70.00	51.15
India	13.7	2009	0.0	0.0%	–	–	–	–	–	–	–
Japan	485.9	2009 onwards	12.4	2.6%	–	–	12.43	–	–	–	–
South Korea	38.1	2009–12	30.7	80.5%	1.80	–	6.19	1.80	7.01	–	13.89
Thailand	3.3	2009	0.0	0.0%	–	–	–	–	–	–	–
Sub-total Asia Pacific	1,153.8		266.9	23.1%	1.8	0.0	21.1	3.3	105.7	70.0	65.0
Europe											
European Union	38.8*	2009–10	22.8	58.7%	0.65	12.49	2.85	1.94	–	4.85	–
Germany	104.8	2009–10	13.8	13.2%	–	–	10.39	0.69	2.75	–	–
France	33.7	2009–10	7.1	21.2%	0.87	–	0.83	–	1.31	4.13	–
Italy	103.5	2009 onwards	1.3	1.3%	–	–	–	–	1.32	–	–
United Kingdom	30.4	2009–12	2.1	6.9%	–	–	0.29	1.38	0.41	–	0.03
Other EU states	308.7	2009	6.2	2.0%	1.9	–	0.4	3.9	–	–	–
Sub-total Europe	325.5		54.2	16.7%	3.5	12.5	14.7	7.9	5.8	9.0	0.9
Americas											
Canada	31.8	2009–13	2.6	8.3%	–	1.08	0.24	–	0.39	0.79	0.13
Chile	4.0	2009	0.0	0.0%	–	–	–	–	–	–	–
US EESA	185.0**	10 years	18.2	9.8%	10.25	2.60	3.34	0.76	0.33	0.92	–
US APRA	787.0	10 years	94.1	12.0%	22.53	3.95	27.40	4.00	9.59	11.00	15.58
Sub-total Americas	1,007.8		114.9	11.4%	32.8	7.6	31.0	4.8	10.3	12.7	15.7
Total	2,796		436	15.6%	38.0	20.1	66.8	15.9	121.8	91.7	81.6

* Only €30 billion from direct EU contribution considered for calculation as the rest (€170 billion) is contributed by member states
 ** US\$700 billion under TARP not considered for calculation as the fund is mainly for bank bailouts not for fiscal stimulus + Low Carbon Vehicles

Table 2 A CLIMATE OF RECOVERY? THE CLIMATE CHANGE INVESTMENT DIMENSION OF ECONOMIC STIMULUS PLANS
 Source: HSBC estimates



MANISH BAPNA OF THE WRI: SHORT-TERM STIMULUS SPENDING WILL HAVE ONLY A MODEST IMPACT ON EMISSIONS

Meanwhile, the UK's green fiscal stimulus was described by Parliament's Environmental Audit Committee as 'welcome, but too small—especially given that most funding was already committed, and will be offset by reduced spending in 2010–11'. Instead, it called for 'improving the energy efficiency of existing buildings as the number one priority. Such programmes are labour-intensive and do not require development of new technology.' The EAC further stated, 'It is disappointing that the wider stimulus package contains hundreds of millions of pounds for road building and widening',⁴⁷ which embodies the paradox of competition between carbon-versus sustainable-based spending.

Keeping talk of a Global Green New Deal in perspective, Manish Bapna, executive vice president of the World Resources Institute, said, 'Even the most aggressive short-term stimulus spending will have only a modest impact on emissions. Recovery efforts should be designed to set the stage for comprehensive energy and climate policies.'⁴⁸

While green stimulus spending of \$430 billion is significant, it needs to be seen as

only the start of ongoing green government spending so the other \$2.3 trillion or so in stimulus does not work at cross-purposes.

If the problem is the prescription . . .

SO HAS THIS FINANCIAL CRISIS BEEN used as an opportunity to create a new and more sustainable model of capitalism? Inherently built into the litany of government stimulus plans is the paradox of restarting a carbon-based economic engine while at the same time trying to build a new, green road. In the face of withering criticism of business practices amid the fallout caused by the global financial crisis, the very assumption of the macro-economic basis for stimulus policy prescriptions—i.e. growth—has once again been called into question. The UK Sustainable Development Commission, an independent advisory body to the government established in April 2006, released a report on 30 March 2009, 'Prosperity without Growth? The Transition to a Sustainable Economy'. The report argued that 'the market was not undone by rogue individuals or the turning of a blind eye by incompetent regulators. It was undone by growth itself.'⁴⁹

Viewing the problem as the prescription, the report stated, 'the broad assumption behind all these recovery packages is that they will be successful in stimulating consumption growth again. Credit will flow, consumers will spend, business productivity will return and the wheels of the machine will start turning. The outcome (assuming it works) will be thoroughly predictable', consumption will be driven

47 'Environmental Audit Committee, Third Report. Pre-Budget Report 2008: Green Fiscal Policy in a Recession', House of Commons, 10 March 2009; www.publications.parliament.uk/pa/cm200809/cmselect/cmenvaud/202/20202.htm.

48 Peterson Institute for International Economics and World Resources Institute, *op. cit.*

49 UK Sustainable Development Commission, 'Prosperity without Growth? The Transition to a Sustainable Economy', 30 March 2009; www.sd-commission.org.uk/publications/downloads/prosperity_without_growth_report.pdf.



TIM JACKSON: PEOPLE NEED TO FLOURISH WITHIN THE LIMITS OF THE NATURAL ENVIRONMENT

forwards, with ‘no means of anyone getting off the treadmill’.⁵⁰

Starting with the view that the impacts of unfettered economic expansion and resource use associated with it ‘are already unsustainable’, the report equated the doubling of the global economy over the last 25 years with the degradation of ‘an estimated 60% of the world’s ecosystems’ and an increase in global carbon emissions by 40% since 1990. These critics view the economy as a subset of the macro ecosystem of the planet, rather than the opposite.⁵¹

In an idealised zero-waste economy, a steady state of activity would occur where renewable resources would not be used any more quickly than the ecosystem can replace them. Non-renewable resources

would not be used any more quickly than renewable substitutes could be developed. Waste and pollution would not be emitted any more quickly than it could be absorbed sustainably.⁵² In short, as Professor Tim Jackson, the UK Sustainable Development Commissioner for Economics, said that the ideal economy provides the ability for people to flourish ‘within the limits of the natural environment’.⁵³

The steady state economic critique challenges the current model: ‘The truth is that there is as yet no credible, socially just, ecologically sustainable scenario of continually growing incomes for a world of nine billion people. Simplistic assumptions that capitalism’s propensity for efficiency will allow us to stabilise the climate and protect against resource scarcity are nothing short of delusional.’⁵⁴

Taking its philosophical views to the extreme, the report views the choice as either an increase in consumption for all up to the level of the most prosperous, which is unsustainable, or a levelling-off ‘in which incomes are distributed equally across nations’ and ‘growth in the richer nations is curtailed or some kind of completely unforeseen technological breakthrough happens’.⁵⁵

The question of social equity is an important one to raise in the context of sustainability. It is clear that highly unequal incomes in and between societies leads to the degradation or waste of resources,⁵⁶ as well as negative impacts on personal health and well-being.⁵⁷ The UK Sustain-

50 *Ibid.*

51 John Attarian, ‘The Steady State Economy: What It Is, Why We Need It’, 2004; www.npg.org/forum_series/steadystate.html.

52 Herman E. Daly, *Beyond Growth: The Economics of Sustainable Development* (Boston, MA: Beacon Press, 1996).

53 ‘Prosperity without Growth? Victor Anderson interviews Professor Tim Jackson, SDC Commissioner for Economics’; www.sd-commission.org.uk/publications/downloads/Prosperity%20without%20Growth_transcript.pdf.

54 UK Sustainable Development Commission, *op. cit.*

55 *Ibid.*

56 C.D. Butler, ‘Inequality, Global Change and the Sustainability of Civilisation’, *Global Change and Human Health* 1.2 (2000): 156-72.

57 World Health Organisation, ‘Closing the Gap in a Generation: Health Equity through Action on the Social Determinants of Health. Final Report of the Commission on Social Determinants of Health’, 2008.

able Development Commission has thus highlighted an important issue that cannot be ignored—a redistribution of resource consumption opportunities. It is a topic we have discussed in previous World Reviews and in *The Global Step Change*,⁵⁸ which identified the need to reduce, redirect and redistribute resource consumption to achieve a sustainable globe. One implication for business is that of gaining greater insight into how to operate in ways that do not create high inequality, and even provide opportunities for social advancement of disadvantaged groups. However, it also raises the question of what form of ‘equitable’ resource consumption can be aspired to. There are, to our knowledge, no internationally agreed principles about an equitable consumption of the world’s resources. Suggestions that ‘incomes are distributed equally across nations’⁵⁹ appear illogical as well as impractical, given the diversity of lifestyles and livelihoods, from artisanal fisher in the Pacific island of Palawan to a taxi driver in Manhattan. Yet it encourages us to engage in a debate about how consumption levels can justifiably be related to individual wants and societal contributions.

While characterising economic growth as the path to over-consumption, advocates of steady state economics argue for growth of a different kind, ‘moral growth’.⁶⁰ Herman Daly has said changes in both institutions and values are necessary, but changing the latter is more important.⁶¹ Demonstrating the range of views questioning basic assumptions of unrestrained growth, German President and former head of the International Mone-



HERMAN DALY: CHANGING VALUES IS MORE IMPORTANT.

tary Fund Horst Köhler asked in a 24 March 2009 speech, ‘How much is enough?’ He answered by saying, ‘We should know that we can no longer rely mainly on economic growth as the solution to our problems and the peacemaker in our societies.’⁶²

Peace, however, was in short supply as nationwide strikes broke out in France with well over a million people in the streets angry that companies cut jobs while executives received bonuses. Employees at French 3M and Sony France held executives hostage over disputes about terms for laid-off staff.⁶³ In response to popular pressure, the government banned ‘bonuses and stock options for executives’ whose companies received bailout money.⁶⁴ The riots at the G20 summit in London also highlighted the level of unrest at the existing economic and political system that lies under the surface of ‘normal’ society. As such, it is an important period for citizens interested in contributing to a positive

58 Jem Bendell et al., *The Global Step Change: Lifeworth Annual Review of Corporate Responsibility in 2007* (Geneva: Lifeworth, 2008; www.lulu.com/content/2043716).

59 UK Sustainable Development Commission, *op. cit.*

60 Herman E. Daly, *Steady-State Economics* (Washington, DC: Island Press, 2nd edn 1991).

61 *Ibid.*

62 ‘Berlin Address by Federal President Horst Köhler 24 March 2009’; www.bundespraesident.de/Speeches-.11165.653306/Berlin-Address-by-Federal-Pres.htm?global.back=-%2c11165%2co/Speeches.htm%3fmlink%3dbpr_liste%26link.sTitel%3dqualitative%2bgrowth.

63 ‘France to ban bonuses for bailed out firms’, CNN.com/Europe, 26 March 2009; edition.cnn.com/2009/WORLD/europe/03/26/france.bonuses.banks/index.html?eref=edition.

64 ‘Banks agree to cap trader bonuses’, France24.com/en/20090207-banks-agree-cap-trader-bonuses-.

relationship between business and society to participate in this systemic debate, and relevant initiatives aiding informed policy-making.

To be effective in this new policy context CSR professionals will need to look up from their specific activities, and consider the kind of economy and society they are seeking to bring into being. In this reflection of goals and change strategies, they could learn much from how social movements past and present have arisen and impacted on society. It is that insight that led to the current co-author Jem Bendell exploring social movements theories and their implications for the contemporary CSR field, in a book published in March: *The Corporate Responsibility Movement*.⁶⁵

One area of human activity that appears to need wholesale transformation in light of climate change is transportation. In the first two months of 2009, sales of cars were higher in China than the US for the first time in history. For people concerned with spiralling carbon dioxide pollution, this appears a disturbing statistic. It comes after news that Indian firm Tata intends the Nano model to enable millions more Indians to own a car.⁶⁶ However, this growing cloud of carbon could have a silver lining—in the technological and business process innovation that is occurring in the growing Chinese car industry.

A Chinese automobile manufacturer based in Shenzhen, China, BYD Auto is part of the BYD Company Limited, which makes 65% of the world's nickel–cadmium batteries and 30% of the world's lithium-ion mobile phone batteries. With

this experience and capacity, BYD Auto has been making strides in the provision of electric and dual-fuel automobiles. This includes a mid-size sedan, which uses an iron-phosphate-based battery, and can be recharged to 70% of capacity in ten minutes at special stations, and in a number of hours through normal electric plugs. The cost-effective manufacturing capacities in Shenzhen mean that, unlike other car companies, BYD can produce most of the components in its cars itself, such as the air-conditioning, lights, seatbelts and electronics.⁶⁷ Consequently, it can offer its electric cars for less than the electric cars being made in the West. 'We are committed to a green future for our planet', said Wang Chuanfu, chairman of BYD, at the Detroit Auto Show in January 2009. 'We have the ability, the capability and the desire to be a significant part of the solution.'⁶⁸ His company has attracted interest from Warren Buffett, who bought a 10% share of the company for US\$230 million. Buffett thinks BYD 'has a shot at becoming the world's largest automaker, primarily by selling electric cars, as well as a leader in the fast-growing solar power industry'.⁶⁹ The new model it unveiled in March 2009 showed that it was not an innovator in aesthetics, as it closely resembled Toyota's Lexus.⁷⁰ However, the real design innovation for BYD is in the engine—a form of innovation more important for sustainability.

More dual-engine, hybrid cars and electric cars will not, however, create sustainable mobility systems, consuming more resources than mass public transport sys-

65 Jem Bendell et al., *The Corporate Responsibility Movement: Five Years of Global Corporate Responsibility Analysis from Lifeworth, 2001–2005* (Sheffield, UK: Greenleaf Publishing, 2009; www.greenleaf-publishing.com/responsibilitymovement).

66 Jem Bendell et al., *The Eastern Turn in Responsible Enterprise* (Manila, Philippines: Lifeworth, 2009; www.lifeworth.com).

67 'Plug-in hybrid goes on sale, in China only', Hybrid Cars, 3 November 2008; www.hybridcars.com/news/plug-hybrid-goes-sale-china-only-25222.html.

68 Jerry Garrett, 'Chinese cars inch closer to US', *New York Times*, 18 January 2009; www.nytimes.com/2009/01/18/automobiles/autoshow/18CHINA.html?fta=y.

69 Marc Gunther, 'Warren Buffett takes charge', *Fortune*, 13 April 2009; money.cnn.com/2009/04/13/technology/gunther_electric.fortune/index.htm.

70 'China's BYD Auto launches S6 Lexus RX clone, holds European patent for design copyrights . . .', Carscoop, 25 March 2009; carscoop.blogspot.com/2009/03/china-byd-auto-launches-s6-lexus-rx.html.

tems, especially if trains and buses are designed and operated with carbon emissions in mind. Yet individual car use is likely to remain key for many people. An insight into how individual car usage could be redesigned has emerged from an Israeli company called Better Place. It is innovating solutions to the infrastructure problem which holds back the uptake of electric vehicles. Better Place is building a huge network of charging points and battery-swapping systems in a number of countries, including Israel and Australia, to enable existing car companies to offer electric models that are compatible with the system. It is innovating a new business model where consumers will pay for the mileage they drive, and thus car producers will earn revenue from the amount of charging their customers do. This parallels the business models of manufacturers of mobile phones and computer printers.⁷¹

The way consumers use their new electric transportation will also be key to its sustainability. Thus transportation sharing initiatives are an important dimension to sustainable mobility. Zipcar, the world's largest car sharing service, is now in 50 US cities, as well as in Vancouver, Toronto and London. The company has increasingly rolled out its innovative business model beyond individual consumers to universities, and now governments, with an agreement reached on 5 February 2009 with the city of Seattle, WA, for use by over 10,000 employees,⁷² and a partnership with the city of San Francisco, 19 February 2009, to increase the number of electric plug-in hybrid vehicles in their fleet as well as the advent of new charging stations at city hall.⁷³

Whether personal mobility services can be transformed in time to offset the growth in emissions due to a growing global demand for mobility will be key to how

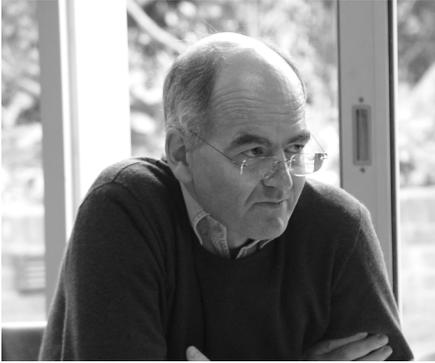
humanity reduces its carbon emissions. This could be helped if the stimulus packages targeted those firms ready with solutions, and that bailouts were conditional on link-ups with those firms with appropriate technologies and business models for low-carbon societies. Concerns about the leakage of government stimulus or bailout funds outside a country may be missing the point: the best use of public funds is in investing in the businesses of the future, no matter their nationality. If the US government had invested its billions in BYD and Better Place, as an owner, rather than putting its money into failing US automakers, the US citizen might now own a stronger asset, and be better supporting the climate fight. The political difficulty of governments taking such an internationalist perspective to their own spending further highlights the difficulty they face in playing a positive role in guiding sustainable innovation. Arguing the case for internationalist approaches to encouraging and scaling up sustainable innovations is therefore a central responsibility for leading business executives at this time of dual economic and climate crises.

The challenge of transitioning to sustainable mobility highlights the need for government to be a partner in stimulating the necessary innovations for fair and sustainable societies. 'It may be understandable, but disproportionate effort continues to be lavished on shoring up the dinosaurs of the old order, rather than investing in the new pioneers, who are working hard—and often against the odds—to incubate and scale market solutions essential for a sustainable future', claimed a report released by Volans in early 2009. The authors, John Elkington, Alejandro Litovsky and Charmian Love, describe a 'Phoenix Economy' that is 'focused on providing social and environ-

71 Information from www.betterplace.com/faq.

72 Amy Rolph, 'City offering Zipcar access to employees', *Seattle Post-Intelligencer*, 5 February 2009; www.seattlepi.com/local/398981_zipo6.html.

73 'Zipcar, San Francisco launch plug-in hybrid pilot program', *SustainableBusiness.com*, 19 February 2009; www.sustainablebusiness.com/index.cfm/go/news.display/id/17703.



JOHN ELKINGTON OF VOLANS: DESCRIBES A 'PHOENIX ECONOMY'

mental solutions, where markets and governments have failed'.⁷⁴

One policy innovation in the first months of 2009 was 'cash for clunkers', which gained traction under the German stimulus where 'vehicles over nine years old traded in for new, environmentally friendlier models received rebates of \$3,172'. Subsequently, Germany experienced the highest February car sales level in a decade. China slashed taxes on small, fuel-efficient vehicles, which increased their monthly sales 19%. Similar programmes hit the road in France, Italy and Spain.⁷⁵ Given the complexity of creating new systems of electric recharging and car sharing that are financially viable, there is still much for government to do in shaping sustainable mobility.

From right to relevance

THE GLOBAL FINANCIAL CRISIS MIGHT better be termed 'The Great Breakdown'. For what has occurred is a breakdown in governance and accountability that lies at the root of the financial events, and the breakdown in public trust and legitimacy

of the current system due to the spending of unprecedented sums of public money to fix private losses due to high-risk profit-seeking. How may the CSR field be relevant to this new context?

The chief executive of AccountAbility, Simon Zadek, summed up the landscape clearly:

After 2008, no one in their right minds will ever again question the negative impact of irresponsible business practices, the source of the world's first global recession along with its consequences of millions upon millions of jobs lost, houses repossessed, families broken, and economies shattered. Never again will anyone be able to look smug in demanding advocates of corporate responsibility to 'prove it'. The financial community, at enormous cost to us all, has done what no one else has quite managed, to make our point, loudly, globally, and irrevocably.⁷⁶

Despite the centrality of corporate irresponsibility in causing 'The Great Breakdown', some predicted CSR's demise in the face of bottom-line cuts and crises, with the *Financial Times* anticipating CSR professionals 'will be told to take a gap year indefinitely', for example.⁷⁷ CSR risked being seen as merely an add-on in recovery efforts, since in Western nations all else took a back seat to securing the banking system and ensuring employment did not collapse.

Nevertheless, the existence of Green New Deal elements in stimulus packages around the world highlights how some of the issues that the CSR community advances have made their way into the mainstream of government planning. Further government leadership is necessary, especially to scale the sustainable and social enterprises described in *The Phoenix Economy*. If such enterprises 'are to suc-

74 Volans, *The Phoenix Economy: 50 Pioneers in the Business of Social Innovation* (London: Volans, 2009).

75 Adam Smith, 'Germany's Auto-Woes Fix: Scrap That Clunker!', *Time*, 12 March 2009; www.time.com/time/business/article/0,8599,1884711,00.html.

76 Simon Zadek, 'All the King's Horses', AccountAbility, 31 December 2008; www.accountability21.net.

77 Lucy Kellaway, 'The year of the CFO', *The Economist*, 19 November 2008; www.economist.com/the-world-in-display/story.cfm?story_id=12494665.

ceed, they will still need substantial assistance from governments, foundations, investors and businesses', notes Volans. They identify opportunities for facilitation, collaboration and support, in a Phoenix Economy Manifesto for governments.⁷⁸

As government returns to a central role in shaping economic activity, so the potential to support a new sustainable enterprise economy, or prop up the old, has grown significantly. SustainAbility's founder John Elkington predicted in January 2009 that executives 'will be expected to help design

the new order, not simply to massage the old'.⁷⁹ The leaders and institutions in the CSR field will be tested by their ability to effectively advocate and lobby governments to ensure the unprecedented sums of stimulus money are transparently governed, and spent and implemented effectively. They will need to push government farther and faster than it planned on going now that it is a client, investor, lender, insurer and marketeer. They will need to think and act as a movement.



⁷⁸ Volans, *op. cit.*

⁷⁹ 'Director: Phoenix will rise again', SustainAbility, January 2009; www.sustainability.com/researchandadvocacy/columns_article.asp?id=1642.

* Opinions expressed in this World Review are the authors' and do not necessarily reflect those of Greenleaf Publishing.