

“Ecologically sustainable capitalism is an oxymoron”. Discuss

Introduction:

Capitalism is an economic system in which private individuals and businesses own capital goods, with the production of goods and services controlled by the market forces of demand and supply. Business and individuals are motivated by the opportunity to grow, expand, and increase profit, since they earn income from the ownership of the aforementioned capital goods. Motivated by profit and growth (the profit motive), businesses look to increase capital ownership in any way they can. Businesses undertake the majority, if not all, of their actions, in a purely capitalist system, with the idea of increasing profits as highlighted by Adam Smith, “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.”¹ Traditionally, this has led to the extraction and exploitation of natural resources, with capitalism ignoring the cost of externalities if they do not affect their ability to increase profits. In order to evaluate whether ecologically sustainable capitalism is indeed an oxymoron, it is necessary to analyse how and why capitalism has not been sustainable in the past, and whether the nature of capitalism has room for change or whether sustainability calls for an entire overhaul of the economic system.

Within the capitalist system, businesses rush to expand and grow, leading to the development of technology that produces waste and costs to the environment, and the extraction of various resources; these costs are externalised on nature or society so as to not affect the business. Capitalism cannot be healthy without growth of businesses or the economy; whilst it is true that capitalism can survive periods of no growth such as the recession of 2008, these periods are not healthy to capitalism. Thus, in pursuit of growth and new profits, and to fulfil the self-interest of businesses that drives capitalism, new capital must be found and used. This is summarised by Kovel’s words “capital must expand without end in order to exist.”² This means that to businesses, the environment is not a finite world of resources (or capital), but “a realm to be exploited in the process of growing economic expansion”³. There is thus a contradiction between capitalism and the world in which it operates; infinite growth cannot exist in a finite world of resources. This contradiction has given way to the formation of a number of ecologically damaging industries, firms and practices which continue to operate on a large scale today. To show the unsustainable nature of capitalism in the past, I will look at its extractivism and its impacts to climate change.

How has capitalism been unsustainable in the past?

First of all, extractivism was born out of capitalism; people sought to increase the resources they owned, to in turn increase their wealth and profits. This takes place in the form of overfishing, deforestation and mining to name but a few. Extraction of the earth’s resources is certainly not sustainable; fish stocks are falling, ecosystems are becoming increasingly uniform (as a result of deforestation and poaching), groundwater stores are becoming depleted. Eventually, resources like these will be extracted to exhaustion, as firms will always be incentivised to grow. Approximately 90% of fish stocks of large predatory fish are already gone, whilst commercial fishing from the world’s lakes and rivers has quadrupled in the last 50 years to now total 8.7 million tons annually⁴. 18.7m tons of trees are lost annually⁵. The water table under Beijing has dropped by nearly 1,000 feet since the 1970⁶. These stats highlight the sheer unsustainability of resource extraction, as utilized by capitalist firms. However, the best example of capitalism’s extractive nature is the island of Nauru⁷. Nauru, a small island in the South Pacific, used to be a model for the world of a very successful developing nation, reported to have the highest GNP per capita in the world in 1985. The nation, rich in pure phosphate (fertiliser), was aggressively stripped and mined by Australian mining companies, through most of the 20th century. This gave rise to its wealth, but also its eventual fall. By the 1990s, the nation’s ecology had been severely damaged beyond repair, described by its own President, Kinza

¹ Adam Smith, “Wealth of Nations” Book 1 Chapter 2

² Joel Kovel, “The Enemy of Nature: The End of Capitalism or the End of the World?”

³ Louis P. Pojman, Paul Pojman, Katie McShane, “Environmental Ethics: Readings in Theory and Application”

⁴ Seafarms.com.au statistics

⁵ WWF

⁶ Seametrics statistics

⁷ Naomi Klein, “This Changes everything”

Clodumar, as “a wasteland” (1997), whilst its source of wealth had also been largely depleted. The rise and fall of Nauru highlights how capitalism incentives remorseless, unrelenting extractivism in the name of profit and, thus, how unsustainable it is.

Climate Change is another issue that has arisen from capitalism (albeit not the sole cause). The exponential rise in demand for energy, electricity and oil in the 20th century gave rise to a new type of industry; the fossil fuel industry. The huge rise in demand in the period, gave companies a huge opportunity to make colossal profits. They have also been able to grow on a huge scale, aided by the vast deposits of fossil fuels found around the earth. Fossil fuel consumption has grown 1300-fold⁸ since the start of the industrial revolution contributing to 76.6% of the greenhouse gases produced in the US, that sit in the atmosphere⁹. Whilst a growth in fossil fuel consumption would have been inevitable, be it in a capitalist or non-capitalist system (due to the demand for energy with no other way to supply it), it is the capitalist system, driven by the profit motive, that allowed such a huge expansion. Secondly, it is the capitalist system that ensures fossil fuel consumption continues to rise, despite new developments in technology (such as renewable energy). Oil and coal companies, as the next section will cover, work hard to impede change in fossil fuel use, so their own profits will not suffer. In a non-capitalist system, with firms unconcerned about profits, the environment would likely be prioritised ahead of profits, and the most efficient use of resources would likely be chosen. Thus, externalities on the environment would be avoided.

Climate change and resource exhaustion are only two out of several ways that capitalism has shown itself to be ecologically unsustainable in the past. However, in order to judge whether ecologically sustainable capitalism is indeed an oxymoron, it has to be assessed whether capitalism has the ability to adapt and change away from its past self.

Can capitalism become ecologically sustainable?

Many environmental economists argue that the nature of capitalism and the power and size of fossil fuel companies means capitalism will never be ecologically sustainable. Capitalism cannot exist healthily for businesses or for a whole economy without economic growth. If all the profits earned by a capitalist firm are given to workers or kept by the capitalists, the two groups will spend this income on goods and services produced, resulting in no growth, as there would be no new investment in firm's capacity. This would not work in a capitalist system, because capitalists, given the self-interested, profit seeking nature of humans would want to expand their wealth rather than just fund a constant level of consumption for themselves or their workers. Capitalists will always seek to increase profit for this reason, and thus no growth would not be possible. This factor, combined with the fact that economic growth, as illustrated above is not ecologically sustainable, seems to show capitalism to be ecologically unsustainable. Fossil fuels dominate the world economy; the production and extraction alone accounted for \$2tn around the world, an estimated 3% of world GDP¹⁰. The sale of fossil fuel related products (plane fares, cars, electricity,) also certainly makes up a large part of world GDP. The economy's reliance on fossil fuels is undeniable. Thus, totally sustainable economic growth is out of the question at the moment. It seems also to be increasingly out of the question for the future; using their huge power and wealth, fossil fuels have been doing everything in their power to prevent a shift away from them. For example, Heartland, a well-known climate change denial group, has received more than \$1m from ExxonMobil (oil), whilst heartland scientists also receive grants from oil companies, one of whom, Willie Soon, received 100% of his grants from fossil fuel interest between 2002-2010. Fossil fuels companies contributed \$350m on campaigns in the 113th congress in the US¹¹. The companies' power and influence present a clear impediment towards growth that can be sustainable. Without growth that can be sustainable, capitalism which requires growth, will continue to pursue unsustainable growth and thus for the foreseeable future, capitalism cannot be ecologically sustainable.

Hopeful economists believe that capitalism can indeed be ecologically sustainable in a number of ways. First of all, capitalism can encourage innovation; by rewarding successful innovation with profits, firms can be encouraged to create new sustainable technology if there is profit to be had.

⁸ Hannah Ritchie and Max Roser, “Our world in data- Fossil fuels”

⁹ EPA statistics

¹⁰ IBISWorld statistics

¹¹ Naomi Klein, “This changes everything”

Inventions of sustainable technology like solar panels, provides a new source of profits for firms that produce them like SunTech in China. Whilst capitalism does require growth to be healthy: growth does not necessarily have to be ecologically unsustainable. For example, new “green” industries, like solar panels or wind turbines, can encourage growth, whilst the same can be said for the sale of electric cars, or employment of workers in environmentally constructive work. According to a UN report in June 2018 clean energy¹², energy efficiency, water, waste and pollution services are worth \$4tn around the world, growing and catching up to the fossil fuel industry. Growth does not necessarily have to be damaging to the environment and green growth is becoming increasingly important to the world economy.

However, this idea of totally “green growth” does not currently seem plausible. The power and influence of fossil fuel companies is too great, at the moment, for growth to be totally sustainable for the environment. Most importantly capitalism requires infinite growth and yet in a world of finite resources, this is not possible. Whilst ecologically sustainable capitalism may seem to be a possibility with green growth on the rise, growth will never be totally ecologically sustainable as it will use up the finite resources on the planet in one way or another.

Conclusion

It is undeniable, given the earth’s warming of 1C since 1880, rapid depletion of resources and the pollution of our oceans, that ecologically sustainable capitalism is currently and has been an oxymoron. It will continue to be an oxymoron as the capitalist companies responsible for the degradation of the environment have a strong foothold in the economy and a strong influence over economic and political on goings, meaning economic growth, vital to capitalism, is not sustainable ecologically. Even if governments or civilians were able to intervene, lessening the aforementioned companies’ power and influence, growth could still not be totally sustainable as endless growth on a finite world of resources is a paradox that capitalism cannot overcome. The paradox between capitalism’s need for endless growth, and its operation in a world of limited resources means that ecologically sustainable capitalism is indeed an oxymoron.

(1901 words)

¹² Green Economy Overtaking Fossil Fuel Industry - FTSE Russel Report

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