

How to think about capitalism and climate change

Maddyness is collaborating with environmental publication Ours to Save to bring readers fresh perspectives on sustainability. Here, we explain the basics of this prevailing economic system and how it intersects with climate change.

Are companies systematically biased towards harming the environment? Are free markets the only mechanism that can solve a problem as complex as climate change? Will the climate crisis be solved by a perfect balance between state control and industry independence, or is any solution that retains capitalism doomed to fail?

These are all legitimate and interesting questions, but we're just going to talking you through the facts - rather than the debates - today. Let's start with some economics:

The economics □

Markets are just what happens when people exchange goods and services for money. The voluntary exchange of such goods and services only occurs when a consumer has a problem, a business has a solution and they find each other. Here I mean 'problem' in the broadest sense of any particular pain or desire you face in your life, whether a desire to watch quality movies about princesses in fantasy lands, or the need to visit your aunt on the other side of the world at

least twice a year.

Businesses survive and thrive only if they solve a genuine problem that people face, and are more successful to the extent that they solve problems better and for more people. They need to charge more for their products than the costs of producing those products in order to make a profit, and generally the owners of the business – whether an entrepreneur, a bank representing its clients or wealthy individuals – will ensure that the business will make as much profit as possible, within limits.

These limits include legal limits, such as carbon regulation mentioned above, or environmental, social and governance goals (abbreviated to 'ESG'), to the extent that particular business owners care about ESG.

An important point here is that criticism of markets must (at least sometimes) speak in terms of institutions and systems rather than individuals and intentions. If Ben van Beurden (the CEO of Shell) develops a sudden fear of climate change overnight and starts a rapid shut-down of their carbon-intensive operations, the business will lose money and the CEO will simply be removed and replaced with another soul who is less scrupulous about carbon emissions. The system and the roles they assign to people are what matters, not (just) the individuals that fill those roles.

Image courtesy of [Marc Rentschler](#).

The basic argument in favour of markets as a solution to the climate crisis is based on the above model. The model suggests that businesses can only exist and thrive if they solve a problem in people's lives. The climate crisis is a massive problem, and therefore the market will solve it. Or so it's argued.

For example, plenty of consumers care a lot about climate change, and therefore are looking for more carbon-friendly home energy providers. This has led to a boom in new businesses that profit by servicing that need, such as Octopus Energy in the UK.

In this way, capitalism functions as a kind of quasi-democracy, where consumers vote with their wallets and promote the existence of businesses that best serve their needs. If a business simply fails to solve a problem with a product or service, nobody will buy that product or service and the business will fail.

Problems with markets

Of course, there are limits to this model of capitalism as a quasi-democracy where consumers are voters and politicians are the businesses that receive our cash-votes. The first is that consumers' votes are not equal. The problems that enjoy the highest priority in a market system are not just everyone's problems – they are the problems of people who have money. In particular, the wealthier you are, the more money you have to spend, and the more profitable it is for a business to solve your problems.

Right now there is massive environmental damage in South East Asia and the number of environmental refugees will only increase. These people face massive problems, but if their disposable income is low, there is less incentive for markets to solve their problems, since there is less scope for profit.

The second problem is the proliferation of greenwashing. Greenwashing is the practice of making a concerted effort to appear as if your company cares deeply about the climate crisis and other environmental issues in order to win the support of consumers who care about climate change, when there is little substance behind the claims.

Shell is a prime target of greenwashing accusations, such as their 'Let's Go' marketing campaign, which asserted their commitment to a cleaner future despite having known about the adverse effects of climate change for the last 30 years and taking little action to stop it. Under capitalism's quasi-democracy, as under nation-state democracies, the appearance of caring about an issue is enough to win a vote, and may not reflect the substance of a business' or politician's real intentions.

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The third problem is also a problem faced by all democracies looking to solve real issues – the simple fact that humans often just make bad choices. If individuals care more about the environment they may have to pay more for clean alternatives for the goods and services they usually get on the cheap. Furthermore, they may just have to give up certain products they really enjoy, such as foreign travel, skyscrapers and steak.

These are nasty choices for individuals to make and we all suffer from weakness of will. If businesses continue to profit from harming the environment, we have to ask ourselves whether the business alone is responsible or whether we, as loyal customers, have empowered their existence.

How are these problems going to be solved?

We can't say, but we can conjecture. There are plenty of problems with markets and we should be wary of their power (both positive and negative); there is scope for those problems to be solved with the powers of government – and vitally, cultural intervention.

Image courtesy of [Dirk Pohlert](#).

If companies and markets are ultimately liable to the thoughts and feelings of people (whether consumers, employees, directors or owners), then culture is the force that defines and stokes the power of emotion and outrage. This is why the arts, social media and celebrity have such a pivotal role to play. The people must be informed and inspired in order to place pressure on companies and governments. Key players here include figureheads such as Greta Thunberg and David Attenborough, but journalism is also important.

Fact-oriented, opinionated, entertaining and fearless journalism will be a key factor in tackling the crisis. Find out more about how *Ours to Save* delivers this, below.

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