Business and the Environment: Is There More to the Story?

EVIDENCE OF GOOD ENVIRONMENTAL STEWARDSHIP IS MORE EXTENSIVE THAN MOST ECONOMISTS AND EXECUTIVES RECOGNIZE

By Jane S. Shaw

Actions taken to improve the environment are frequently good for profits, but many executives, including economists, are not fully aware of just how good business’s environmental record is. As a result, they often have difficulty responding to critics. This article will present three major points: 1) the environment of the United States is much improved over the past several decades, and business’s pursuit of profits has been an important factor; 2) the public’s information about business and the environment is poor; and 3) this faulty information fosters the impression that business is evading its responsibilities.

If there were an international tribunal that prosecuted crimes against the planet, like the one in The Hague that deals with crimes against humanity, what is happening on the Cumberland Plateau in eastern Tennessee would undoubtedly be indictable. . . . About 200,000 acres on this tableland have already been clear-cut by the paper industry, and the cutting continues” (Shoumatoff, 2003, p.15).

This quote comes from an article, “The Tennessee Tree Massacre,” published by the Natural Resources Defense Council. Business economists are probably used to hearing criticism of business’s environmental record, although language like this may be a bit over the top. Such magazine articles—plus movies such as Erin Brockovich, which blames a power company for community deaths, and newspaper articles alleging that industrial toxins are endocrine disruptors—all carry the message that business is an irresponsible steward. Most people would not dispatch executives to The Hague, but many do resent American industry for not doing more to protect the environment.

Is there truth to this charge? Certainly, there are bad actors in business, as everywhere. But, on balance, the
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In spite of this implicit understanding in the business community, however, it is my contention that many executives, including economists, are not fully aware of just how good business’s environmental record is. As a result, it is sometimes difficult for them to respond to hostile critics. In addressing the environmental record, I would like to present three major points. One is that the state of the U.S. environment has improved significantly, and business’s pursuit of profits has been an important factor. The second is that the quality of the public’s information about business and the environment is poor. The third is that this lack of information fosters unrealistic ideas that give the impression that business is evading its responsibilities. In conclusion, I will return to the “Tennessee Tree Massacre.”

Environmental Quality Improves

Over time, environmental quality has improved dramatically in market-driven developed countries such as the United States. The environment is also better in such countries than in less-developed countries, including formerly communist countries. Although the terms “improved” and “better” are subjective, quantifiable measures support this claim. In the United States, the level of contamination in the air falls year by year (Hayward and Schwartz, 2004, citing Environmental Protection Agency data); in fact, the air has been improving in major cities such as Pittsburgh, New York, and Chicago since before the Second World War (Goklany, 1999, p. 32). We have more trees in our forests than we had in 1920 (MacCleery, 1992, p. 1), and wildlife has rebounded to the point where bears and mountain lions have reappeared at the edges of cities (Clayton, 2004, citing Department of Agriculture data). In spite of concerns raised about urban sprawl, the total footprint of development—buildings, roads, and military bases—remains less than five percent of the nation’s territory (Hayward, 2000, p. 9).

Threats remain, of course. Perhaps the most talked-about anxiety is the fear that world temperatures may rise precipitously. Whether severe global warming will materialize is far from certain; but if the threat grows, business is likely to develop the tools to address it.

The relatively benign environment that surrounds us in the United States stands in sharp contrast to the state of the environment in developing countries. In 1990, James R. Dunn and John E. Kenney (1996) compared two lists of environmental problems, one covering the United States, one covering Africa.

The U.S. list was based on a poll of Americans sponsored by the Wall Street Journal and NBC. The top ten environmental concerns expressed by those surveyed included (among others) active and abandoned hazardous waste sites, industrial water pollution, occupational exposure to toxic chemicals, oil spills, destruction of the ozone layer, nuclear power plant accidents, radiation from radioactive wastes, and air pollution from factories.

The African list was put together by an Ethiopian geologist. These concerns included diseases such as sleeping sickness, malaria, cholera, typhoid fever, dysentery, and AIDS; soil erosion and nutrient loss; lack of sewage treatment; insufficient drinking water; lack of refrigeration; climatic and rainfall changes; depletion of water resources; loss of wildlife habitat (primarily because of its effect on tourism); and human-caused floods.

As Dunn and Kenney point out, “The U.S. public’s list is actually a media list in the sense that the public must be told about most problems (that is, most citizens do not really see or feel the problems on a daily basis).” In contrast, they observe, “Africa’s environmental problems are Third World megaproblems—noncontroversial, pervasive, and highly visible” (Dunn and Kenney, 1996, p. 114).

As economic growth occurs, broad measures of well-being such as longer life expectancy and access to safe drinking water improve (Goklany, 2001). In addition, more specific measures of environmental conditions show a predictable pattern of improvement after economic growth reaches a certain point. This pattern is now known