Hum Ecol (2017) 45:131–134
DOI 10.1007/s10745-016-9877-y

Environmental Values, Human Nature, and Economic Democracy

Gregory M. Mikkelson[1]

Published online: 19 December 2016

Abstract Recent social science indicates that the public at large behave more ethically, and favor environmental protection more strongly, than do the wealthiest minority. Yet the latter group exerts predominant control over the economy. This suggests that shifting power away from this minority and onto the majority would yield a better ecology. In this paper I spell out the implications of these considerations for "economic democracy" (ED), a well-developed alternative to capitalism that shifts power from wealthy shareholders onto ordinary citizens and workers. I contrast this rationale for ED with some thinkers' defense of "sustainable capitalism", and with others' ecological arguments for ED based on economic stability and self-interest, rather than ethical behavior per se.

Keywords Economic democracy · Capitalism · Economic growth · Ethical behavior · Environmental values

Introduction

"[H]aving a concrete, viable alternative in mind is helpful in evaluating which initiatives to support and which to reject." (Schweickart 2009:578)

David Schweickart (2011) makes a cogent, thorough argument that economic democracy (ED) would make people far better off than capitalism can. For him, ED entails two fundamental departures from capitalism: (1) democratic control of companies by their workers; and (2) democratic control of investment in companies by citizens, through local public banks funded by a national tax on the means of production.[1] Capitalism, by definition, puts shareholders rather than workers in control of companies, and gives private investors rather than the citizenry as a whole ultimate control over which companies obtain how much of the initial funding they need to buy or rent physical means of production. Furthermore, capitalists exert both of these powers on a plutocratic basis (one-dollar-one-vote) rather than a democratic one (one-person-one-vote).

Part of Schweickart's argument is that ED's reliance on public rather than private investment would end capitalism's dependence on ecologically-damaging economic growth. In this paper I first rehearse and perform a rough empirical test of this growth-based sub-argument. I then make a somewhat different environmental case for ED, grounded in empirical studies of environmental attitudes and ethical behavior. Finally, I briefly comment on how the above considerations relate to differences between the self-interested motives harnessed by ED vs. capitalism.

Ecosystem Health Vs. Economic Growth

"[T]he macro-economy becomes an absurdity if its scale is structurally required to grow beyond the biophysical limits of the Earth. And well before reaching that radical physical limit, we are encountering the conservative economic limit in which extra costs of growth become greater than the extra

✉ Gregory M. Mikkelson
gregory.mikkelson@mcgill.ca

1 Department of Philosophy and School of Environment, McGill University, 855 Sherbrooke Street West, Montréal, QC H3A 2T7, Canada

[1] Considering this fee as a tax implies that the means of production are privately owned. Alternatively, one could consider it as a rental charge, which would imply public ownership of those means.

benefits, ushering in the era of uneconomic growth…" (Daly 2010:43)

Ecological economists have long pointed out that to avert environmental disaster, overall growth in economic production and consumption must slow tremendously, stop, or even go somewhat negative (Booth 2004; Mikkelson in review). According to Schweickart (2011), this requirement in and of itself gives ED a crucial edge over capitalism:

"[While s]everal features of Economic Democracy make ecological sustainability vastly more feasible than under capitalism… [t]he most important difference is that capitalism requires economic growth for stability, whereas Economic Democracy does not" (p. 150)

He argues that most private investors would divest from a greatly-slowed, stopped, or slowly shrinking capitalist economy because returns on investment would fall so low under such conditions (see Tokic 2012 for similar argument). This would result in economic collapse rather than the slow growth, steady state, or smooth de-growth called for by ecological economists. In contrast, in an ED economy

"… tax revenues… fund the bulk of the new investment[2]… [E]conomic stability and economic health [therefore]… no longer depend on economic growth, since investment no longer depends on the "animal spirits" of investors" (Schweickart 2009:574).

Ecological economists defending capitalism's ability to achieve low-, no-, or de-growth without collapsing the economy have not addressed this issue. For example, Czech and Daly (2004) do not say whether and how average returns on investment would differ between a growing economy and the steady state that they espouse. They simply assert, without offering any evidence, that investment risk (i.e., the variability, rather than the average, of returns) would be lower in a steady state. Lawn (2011), on the other hand, admits that "in a steady-state economy… profit margins [i.e., average returns on investment]… would eventually decline…" (p. 3) But he does not acknowledge the possibility of this crashing a capitalist economic system.

Meanwhile in a different context, the models used in a justly famous recent book on inequality assume complete independence of returns from growth (Piketty 2014). I thus performed a rough test of whether returns on investment do in fact depend on economic growth. The World Federation of Exchanges (WFE) tracks the "broad stock index levels" at stock exchanges around the globe (www.world-exchanges.org/home/index.php/statistics/monthly-reports). For a subset of 49 exchanges, the WFE provides comprehensive coverage of the years 2007 to 2014. For each of these 49 stock markets, I used the statistical software R (Version 3.2.4) to calculate the correlation over time between its annual performance and the annual rate of growth in its country's gross domestic product (GDP), corrected for both relative purchasing power among countries and inflation over time (data.worldbank.org/indicator/NY.GDP.MKTP.PP.KD).

For 42 of these 49 stock exchanges, the correlation between country-level GDP growth and stock performance is positive. This indicates a generally positive relationship between economic growth and returns on investment in stocks. If there were no causal link(s) involving growth and returns, the binomial probability that at least 42 out of 49 exchanges would have positive correlations simply by chance would be vanishingly small (less than one in five million). The connection between stock performance and world GDP growth is even stronger: 46 out of 49 exchanges have positive correlations with it. This calls into question Piketty's assumption that returns are independent of growth. And it suggests that Schweickart may be correct that capitalist economies would collapse if they achieved slow growth, a steady state, or de-growth for very long.

To settle the issue, however, would require knowing not only *that* average returns depend on overall growth, but *how strongly*. We would also have to know how strongly private investors' "animal spirits" depend on average returns. I do not pretend to quantify these relationships. Instead, I turn now to a somewhat different set of reasons why ED would catalyze a more harmonious relationship between humans and the rest of nature.

Environmental Concern and Ethical Behavior

"[E]conomists widely regard environmental quality as a 'luxury good' that is likely to be of concern only to those who do not have to worry about food, housing, and economic survival… Conventional wisdom about social affairs is often proven wrong by research…" (Dunlap *et al*. 1993:7, 37)

The first premise of this argument for economic democracy (ED) is that people in general have much stronger environmental values than academics, such as mainstream economists but also many ecological scientists and environmental ethicists, give them credit for. Surveys consistently show "widespread global support for stronger environmental protection laws and regulations" (Leiserowitz *et al*. 2005:26). Furthermore, non-anthropocentric values clearly underlie this support. For example, in the US large majorities (over 75%) agree that "[h]umans have moral duties and obligations to other animal species", to "plants and trees", and even to "non-living nature". A still-larger majority (over 90%) agree that "[n]ature has value within itself regardless of any value humans place on it" (p. 28).

Given these strong pro-environmental attitudes and that most people live in supposedly democratic countries, why does environmental protection still lag behind this public

[2] By "new investment" Schweickart means investment from outside the company as opposed to investment by the company of its own sales revenues.

demand?[3] The definition of capitalism cited above suggests an answer. In most countries, the most important economic decisions, i.e., about what companies to fund and about what companies do with those funds, are not made democratically. Instead, they are controlled by the subset of the population with enough money to invest in stock, as noted above. This power enables the rich to further enrich and empower themselves, which inflates their disproportionate influence on the realm of "public" policy as well (Wolff 2012). Gilens and Page (2014) decisively confirmed the domination of government policy by the rich. Their study of 1779 U. S. policy decisions shows that wealthy individuals and business lobbies each "have substantial independent impacts" (p. 564), while "average citizens' influence… is near zero" (p. 576).

However, these observations about capitalism, together with an assumption about environmental values that is very popular among mainstream economists, actually make the gap between the demand for and supply of environmental protection even more puzzling. This assumption, egregiously expressed in a special "report" by *Economist* magazine (September 14th, 2013), is that the environment is a "luxury good". In other words, economists commonly assume that the rich care more about nature than do the poor. But if this were true, and given that the rich control capitalistic economies, then why would they not have protected the environment even more strongly than the public at large would like?

Actually, the rich care *less* about nature than do the public at large. If the environment were a luxury good, then by definition the rich would be willing to pay a greater proportion of their income to protect it than would the poor. But all relevant studies show exactly the opposite: the poor will to pay proportionally more to protect nature than the rich do. In other words, "the income elasticity of willingness to pay is less than one" (Jacobsen and Hanley 2009:137). This makes it more intelligible why the rich have thwarted public desires for stronger environmental protection.

Studies of willingness to pay for environmental protection cohere with more general studies of (un-)ethical behavior. For example, while the poor donate proportionally more to charitable causes than do the rich, the rich "break the law while driving… take valued goods from others… lie in a negotiation… cheat to increase their chances of winning a prize… and endorse unethical behavior at work" more frequently than do the rest of society. The same study found that "upper-class individuals' unethical tendencies are accounted for, in part, by their more favorable attitudes toward greed" (Piff *et al.* 2012:4086).

[3] For an example of such lags, consider that while majorities of both Democrats and Republicans support the idea of taxing carbon emissions if the funds are used to develop solar and wind energy, the US Congress has so far refused to establish any carbon tax or cap (Amdur *et al.* 2014). Thanks to an anonymous reviewer for raising the issue of carbon taxes.

ED would dethrone the rich from their privileged role in determining production. Local public banks, instead of wealthy individuals, would allocate most of the funds for new investment. And workers rather than shareholders would elect most companies' boards of directors (or govern companies more directly themselves). One reason for expecting ED to yield better ecological outcomes should now be clear. Ordinary citizens and workers have strong pro-environmental values, whereas the rich have weaker environmental values, if not anti-environmental values. Thus, by shifting more "power to the people" in two key respects (investment in and governance of business organizations), ED would lead to more environmentally beneficial decisions about what to produce, where, how, and of course how much.

ED would also loosen the grip the rich currently have on public policy, leading to more ecological decisions in that context as well. Economic equality is one major pathway by which this would occur. Democratic control of investment would reduce, if not eliminate, the pressure for companies to enrich the already wealthy more than the rest of society. And democratic control of companies would greatly narrow the gap between the highest- and lowest-paid employees. For example, in 2010 the highest-paid executive in the democratically-run Mondragon federation of Spanish worker cooperatives earned just eight times the *lowest* wage at Mondragon (Ramesh 2011). In contrast, by the early twenty-first century the ratio between the highest and *average* wages in comparably large capitalist companies had reached nearly 20 in Spain, not to mention over 500 in the United States (Bruce *et al.* 2005).

In turn, more equal societies have higher levels of democratic political engagement (Solt 2008). Does this enable ordinary citizens to more fully realize their pro-environmental values through public policy? One of the most comprehensive indicators of environmental damage suggests that it does. More equal societies have lower rates of biodiversity loss than do less equal societies with similar population size and per-capita production/consumption (Mikkelson *et al.* 2007; Mikkelson 2013).

Conclusion

"The greater willingness of LMF [labor-managed firm] members to supply local public goods, and to restrict local public bads such as pollution, also serves the interests of the surrounding community" (Dow 2003:39).

ED would thus more fully empower a broader, more environmentally concerned, more ethical population than capitalism does. Many observers have pointed out that workers and their fellow citizens also have much greater self-interest in protecting the environment in and around their workplaces than do absentee shareholders. For these two reasons, democratic control of the workplace by employees, and of investment by local public banks, would enfranchise a more ecologically-motivated set of people than our current system does. Finally, as Schweickart points out, ED would decouple economic stability from economic growth. This may render ED more compatible than capitalism with the slow-growth, no-growth, or de-growth conditions required for economies to fit within their containing and sustaining ecosystem(s). Facts about ethical behavior, self-interest, and economic stability therefore all point to the conclusion that economic democracy would protect the environment much better than capitalism can.

Acknowledgements For helpful feedback on the arguments presented in this paper I thank Michael Adamson, Darin Barney, Dror Etzion, Shaun Lovejoy, David Schweickart, fellow participants in a 2015 workshop on whether capitalism could become sustainable, fellow members of the Groupe de Recherche en Éthique Environnementale et Animale (GRÉEA), and fellow participants in the 2016 conference of the International Society for Environmental Ethics. For supporting the workshop and GRÉEA, I thank the Centre de Recherche en Éthique, funded in turn by the Fonds de Recherche du Québec – Société et Culture.

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