How green can money be; climate change responsibilities of the private sector in a capitalist system

Jim Hiddink

S2730421

Supervisor: Jelena Belic

Second reader: Paul Nieuwenburg

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Abstract: This paper investigates the responsibilities of the private sector in climate change mitigation within a capitalist system. It examines the incentives inherent in capitalism that drive corporate behaviour, particularly the pursuit of profit maximization, and how this affects the sector's ability to engage in environmental sustainability. The research reveals that while companies can undertake certain green initiatives autonomously, their efforts are constrained by the need for profitability. Consequently, the paper argues that government intervention is essential to facilitate and enhance the private sector's contributions to climate change mitigation. By analysing various academic perspectives, this paper concludes that the division of responsibility between the state and private businesses is clear-cut: it is the government's role to set moral and legal boundaries within which businesses must operate. This study contributes to the dialogue on corporate environmental responsibility by highlighting the limitations of private sector initiatives and the crucial role of government in enabling meaningful progress in climate change mitigation.

Introduction

Climate change has been long established to be one of the greatest challenges of the modern century. Rising sea levels, increasing draughts, less predictable weather patterns and increased streams of climate migrants, the results of climate change have already shown itself (IPCC, 2023; Eckersley, 2015). Academic interest in the issue of climate change has also increased over the past few decades; research on intergenerational ethics (Meijers, 2023), rights of nature (Guim & Livermore, 2021), distributive justice (Moellendorf, 2022), possibilities of carbon markets (Caney, 2010), climate protests (Scheuerman, 2022), and responsibilities for individuals regarding climate change (Fragnière, 2016) have all been very much present. In this research however, the perspectives assumed mostly cover the responsibilities of either individuals, governments, or international governing bodies, while less attention has been given to private sector actors, among which multinational corporations (MNCs), such as Shell and Heineken. While they have been often identified as polluters (Dolmans & Preston, 2021), who should be sanctioned by the government, they are often not approached as actors who can actively assume duties in climate change mitigation in their own agency. More accurately put, they are more often approached as bogeymen than a solution for the problems present.

While literature on the role of corporations does exist, even with regards to climate change, when it comes to their responsibilities, this literature is limited, especially when it comes to GHG emissions (Hormio, 2017). Namely, it limits the responsibility of the corporate either by only considering responsibilities to shareholders, or to direct stakeholders. More focussed attention has been given to carbon producing industry. On the basis that this industry has continued producing harmful substances after it became known that these were harmful, and on the basis that the companies have put little effort in finding alternatives, and have even actively hindered such efforts through lobbying, the authors of these researches have argued in favour of a responsibility for this specific sector (Shue 2017; Frumhoff, Heede & Oreskes 2015). However, I disagree with some of the premises of this assumption, which will be explained later. Also, one cannot equate fossil producing industries with the entirety of the private industry. As it is the wealthiest set of actors in the world, and arguably the most powerful, a more concrete framework of these responsibilities is then needed, including in it more, in economic terms, externalities produced by operating.

Companies, and particularly MNCs, have great impact on climate change, both positively and negatively. While emissions from companies such as Tata Steel and Shell are undisputed, the private sector is also the main driver in greener technologies (Tata Steel, 2023). While this already benefits the mitigation process slowly, by being able to employ greener, less emitting tech, being able to take away the emissions would also contribute to mitigating climate change.

In this piece then, I will further explore the positive impact the private sector can have in climate change mitigation through answering the research question "What kind of responsibility, if any, does the private sector have in the capitalist system regarding climate change?".

I hypothesize that the answer to the question with whom lies the responsibility to mitigate will not be one of either-or, but rather one of both; It is not solely the consumer, the company, or the government that is to attempt to mitigate climate change through their own agency, but it is the cooperative that should. However, this answer does imply that there is a substantive role for the company as an entity to mitigate climate change. Breaking with a part of current literature then, I will argue in favour of the responsibility of the company to proactively engage themselves in climate mitigation (Friedman, 1983). I will, however, also argue that this responsibility is ill-compatible with the current form of capitalism, which leaves the private sector partially incapacitated, which reduces their responsibility. One would not require a submerged person to sing for the pleasure of the fish, seeing as this would cause this person to drown. Just so, a company's responsibility is dependent on its context. Then, to assess what responsibilities the private sector has, one first must assess the context in which the private sector is embedded. Therefore, changes to the system will need to take place (Newel & Paterson, 2010).

Overall, this research will be conducted by bringing together debates from different literatures, including those on individual responsibilities in climate change, Ecomodernism, Green Keynesianism, Eco-Guilt, and private self-regulation, as well as business ethics and others.

In short, this piece will argue in favour of the responsibility in a capitalist system towards the public of the private sector in mitigating climate change, through assessing 1. the nature of the current capitalist system and what it incentivizes when it comes to (corporate) sustainability, 2. whether businesses are responsible to positively engage themselves with climate change measures in that capitalist system and what the nature of this responsibility for corporations is, and 3. what roles remain for governments and the public to incentivize, regulate and promote sustainability practices within the private sector in that capitalist system. These questions will respectively be discussed in chapter 2, 3 and 4. The literature review will attempt to establish a basis on which the further research can build, by means of drawing from both political science and business science research, as the two complement each other's shortcomings.

Chapter 1 - Literature review

In this chapter, first the existing literature will be assessed on capitalism, in particular Green Keynesianism. The literature review will then focus on existing theories on responsibilities of individuals and governments. Individual responsibilities are therein also mentioned. This is because 1. companies are often owned by shareholders, who ultimately are ordinary citizens, who then must be approached as such, and 2. because activism and other individual actions might be a way to regulate and promote green behaviour among corporations. Finally, the literature on responsibilities of the corporate will be examined.

On Capitalism

Within Capitalism, two major environmentally-mindful strands have come to be in academic literature; Green Keynesianism, and Ecomodernism. Both acknowledging that the current system of capitalism is failing in addressing the issue of climate change, they suggest that capitalism needs not be switched with a different system, but rather needs to evolve into a greener form: the costs previously seen as (environmental) externalities in economic theory, need now be incorporated into the cost-benefit analysis. The theory acknowledges that modernity (ideals of Capitalism, the nation state, and progress through human agency and reason) has caused major environmental degradation, as the system stimulates consumption of common goods. However, it also believes modernity to be the solution.

Both still believing in the effectiveness of the capitalist system, Green Keynesianism explores the capabilities of greening the system through governmental coercion of the private sector, through laws and taxes, so that the structure of the system benefits those that act sustainably (Cömert, 2019). The theory relies on the state's ability to shape the movement of capital through taxation and subsidies. However, in doing so, it does not necessarily reduce the responsibility of the private sector to merely following the law; through the usage of Keynesian economics, Green Keynesianism aims to let the economy be driven by in-crises-artificially-stimulated consumptive demand. This means that companies will still be responsible for meeting this demand, which it must do through producing more sustainable products. This then would lead to a shift in consumption and production from goods requiring material resources towards that of immaterial consumption, or consumption of material resources in such a way that it is sustainable (Harris 2013, pp. 12-15).

Ecomodernism, on the other hand, argues that this change in the system must come from within; through a green super-industrialization (i.e. greening industry through technological innovation and less dependence on natural resources) the inefficiency problem that the environmental crisis is can be solved, stimulating industrial and economic growth while greening the system (Asafu-Adjaye et al., 2015). The environmental crisis is an inefficiency problem, as it fails to incorporate environmental costs (externalities) into the market price, and as the current mode of sale creates more (external) costs than it creates profits (Asafu-Adjaye et al., 2015). This system is in my view however least likely to succeed according to normative literature, as it does not solve the collective action problem addressed not only by Green Keynesianism, but also by individual responsibility theorists, such as Johnson (2003); As the theory puts the human over the non-human, situations where economic profitability and greening are opposite rather than concurrent are likely to prioritize the former over the latter (Fremaux & Barry, 2019). Further argumentation on this stance can be found throughout the paper.

For now, however, the responsibilities of corporations will be approached in a status-quo capitalism context, allowing us to look at the current possibilities for stimulating green behaviour and what responsibilities exist already. On this, researchers have taken different positions, ranging from very conservative, stating that the company has no obligations other than to their direct stakeholders (Friedman, 1983), to stating that the company has obligations not only to direct stakeholders, but also those deriving from externalities of production and usage of their product through the scope of Corporate Moral Responsibility (CMR) (Hormio, 2017). Both theories do, however, depend on the conclusion that the company relies on income generated through a market to operate. Whatever main goal the company then may have, profit is always a goal that must be achieved for the company to keep executing their main goal (Hormio, 2017, pp. 316-317). This limits the company in how far it can proactively take action for greener practices; investing too much in greening might put the company on a competitive disadvantage within the capitalist system, leading them to downfall. Such situations can only be solved through state action or a change in consumer behaviour.

Responsibilities of actors

Having discussed shortly the types of capitalism covered in this paper, we must now give an overview of the responsibilities actors have. This paper also addressed individual and government responsibilities, because they are interconnected with the possible responsibilities private actors have. The fact that one task has already been assigned to another actor as its responsibility, needs not necessarily mean that the other actor needs not take this responsibility also. Such contemplations are highly dependent on the type of duty and to the case to which they are applicable (Björnsson & Brülde, 2017, pp. 10-15).

Responsibilities of individuals

In order to delineate corporate responsibility, individual responsibility need to be analysed, notably within the realms of collective action and non-causation arguments. Regarding collective action, Johnson underscores the imperative of discerning actions conducted unilaterally versus those performed within a collective agreement. The former, in the absence of a collective pact, fails to incentivize others to follow suit. However, collective action holds the potential to ameliorate a portion of existing tragedies of the commons, as they are essentially collective action problems, which can be remedied by collective agreement (Johnson 2011, pp. 149-150). Schwenkenbecher (2012, p. 182) buttresses this stance, underscoring the augmented responsibility incumbent upon individuals with the agency to instigate collective action, sometimes warranting a prioritization of collective endeavours over individual mitigation strategies.

Furthermore, Hourdequin advances the notion of dual responsibilities—individual and collective—asserting their reciprocal reinforcement. She advocates for the reduction of individual carbon footprints, positing not only intrinsic value but also communicative potency in aligning actions with personal and political convictions (Hourdequin 2010, pp. 447-457). With this she means that, example given, if one is to believe that a vegetarian lifestyle would be better in the greater scheme of things, one should also act in accordance with that belief on the personal level. This echoes the age-old maxim of "practice what you preach" and relates to demand-driven nature of corporate behaviour, as discussed in chapter 2 and 3. Furthermore, Hourdequin challenges Johnson's conceptualization by underscoring the substantial influence wielded by individuals within collective settings. Actions, she contends, possess the capacity to mould collective norms, thereby contesting Johnson's assertion that individual actions hold little sway in eliciting collective change. Given the development of the private sector with regards to climate change as discussed in following chapters, I support Hourdequin's argument in favour of personal responsibilities, as the public being informed on climate change issues has proven to be one of the main driving forces for greening behaviour. Then, acknowledging that, and acknowledging that individual actions can inform several other previously oblivious individuals, individual action can be vital for the climate change mitigation movement, and should then be pursued. However, a duty to do so is limited by the system in which an individual resides; if a system is built in such a way that it de-incentivizes the by Hourdequin intended behaviour, one cannot be expected to act in that way regardless. More on this in later chapters.

Responsibilities of governments

The government, of course, is responsible for the safekeeping of its citizens. It typically does this by developing law. When it comes to climate change, (inter)national business law and environmental law are especially relevant, as they provide a framework for corporations to compete in (Hormio, 2017). As explored by McDonald (2011), Law can be both a facilitator and a barrier for adaptation (and mitigation); a facilitator, as regulation can create barriers within the market through establishing the rules of the game, wherein actors can anticipate other actors and their actions; a barrier, as it limits innovation within its rigid borders. McDonald also discusses how a government can incentivize sustainability and climate change adaptation within the corporate sector, by for example employing tradeable permit schemes and attractive tax benefits (2011, pp. 285-286). This paper will treat the government as a last resort when it comes to responsibility, as to highlight the possible role the private sector can play in climate change mitigation, and to highlight their responsibilities for doing so.

Responsibilities of private actors

While research by Gillis et al. (2021) and De Jongh & Mollmann (2014) do acknowledge a role for private actors in mitigating climate change, they are both empirical studies, not focussed on the normative questions behind such a role. The previously mentioned positions of Hormio, Reid & Toffel (2009), Allan & Craig (2016) and Frumhoff, Heede and Oreskes (2015) however do indirectly shed more light on companies their responsibilities in a normative sense, by highlighting the responsibilities corporations have with regards to their stakeholders, and the nature of being that capitalism has created for corporations.

Within business sciences, there is also the field of Corporate Social Responsibility (CSR). While this field too does provide some valuable lessons (e.g. stakeholder responsibilities), it too is mostly focussed on more business-related perspectives rather than societal, and when it does turn societal, it mostly assumes an absolute supervisory role of the government, who is then held as the ultimately responsible actor (Schneider, 2014, p. 5). On top of that, CSR focusses more on that what the company *can* do, rather than on that what it must do (Hormio, 2017, p. 318). However, an increased importance of the political role of the private sector is acknowledged in CSR theory; direct engagement by activists have caused private actors to be caught up in private politics, which Baron (2003, p. 31) defines as "situations of conflict and their resolution without reliance on the law or government" (Reid & Toffel, 2009, p. 1157). On top of that, while the incentive is primarily self-beneficial, Allen & Craig do acknowledge that "climate change challenges present organizations, communities and citizens with the need to redefine current views on CSR from a voluntary luxury as being a necessity" (2016, p. 1). Focusing on the communicative responsibilities the corporate world has, they argue a similar point to that of Hourdequin and Johnson, namely that the actor also carries a power and responsibility to communicate their environmental action, as this more effectively generates social motion towards further sustainable effort. These similarities between business research and normative research will be further explored throughout the paper, seeing as the CSR- and the business research school have little direct normative claims on their own. CSR does have its moral counterpart, however, being the previously mentioned CMR. Where CSR focuses on possible additional activities of corporations which might be beneficial for society, CMR looks at how the core activities of companies are to be executed morally correct (Hormio, 2017, pp. 315-318). This means that CMR concerns itself with how the main activities, such as production, logistics, distribution and services, affect not only employees, consumers and shareholders, but also the communities in which they take place. If, e.g., a clothing factory would cause environmental, and therewith social, degradation of the surrounding area, that company is responsible for fixing this problem, and compensating those affected for their damages. The extent to which duties deriving from CMR also apply themselves to GHG emissions will be further explored in this paper.

In conclusion of this chapter then, we have determined that this research can be of great value to the contemporary dialogue. Not only is there a significant literature gap as there has been little research from a political science point of view on the moral responsibilities of companies with regards to GHG emissions, but companies also make up a significant amount of both the worlds capital and current emissions, making them a group with great potential for mitigating climate change. Given this, exploring utilizations of this potential can be of utmost importance in solving the problem of climate change at hand. Exploring will in this case take the form of examining the nature of corporate responsibility, and the distribution between the private sector and the public sector of responsibility for climate change in context of enforcement.

Chapter 2 – Incentives and duties within the capitalist status quo

As the literature has shown, the responsibilities the private sector carries for combatting climate change is deeply dependent on the form the market and the overall system take on. To know if changes need to be made, and if so, what changes need to be made to the market system, we first need to establish what the status quo is, and how that status quo is incentivized. In this chapter, that very subject will be explored.

Our current capitalist system incentivizes profit maximization, which often conflicts with greening measures, so posits Alexander (2007). The prevailing market system prioritizes profit due to the way the managing bodies of companies are often controlled; Shareholders, in long standing tradition, expect the managing body of their company to produce an increasing return on their investment, which can only be acquired through increasing the worth of the company. This in turn then requires the managing body to increase profits through sales or investments of their own, keeping the system in place. However, not only shareholders estimate the performance of the managing body through profits; EU prospectus regulations, for example, require companies to disclose company information for prospective investors. The required disclosure however mainly involves information of financial nature, regarding revenue growth, profit margins, types of assets, and prospective earnings per share. While upcoming EU legislation will also require companies to disclose on their ESG performance, these legislations are not yet in effect and in other parts of the world not yet even drafted. Profit maximization is also incentivized by the highly competitive nature of the market; as most companies are aiming to maximize profits, they also force each other to do so. Companies do not want to fall behind their competition, as this will progressively shrink their influence and customer base (Black & Boal 1994; Hormio 2017). This in turn will mean that there will be less money available for investing in lower production costs, which impedes another market force driving profit maximization, namely that of consumer demand for lowest prices. It does this, as consumer behaviour often indicates that lower prices for the same product are preferred.

Traditionally then, the Shareholder Wealth Maximization (SWM) approach has been the most prominent. This approach prioritizes the interests of shareholders by focussing on maximizing short-term profits. This conflicts with greening, and other contemporary ethical considerations, as it potentially leads to short-termism, accompanied by environmental degradation (Lee 2004, p. 12-16; Alexander 2007). Chasing such interests incentivizes companies to cut costs, outsource jobs, and externalize (environmental) costs, shifting the burden onto the current and future society (Fatemi & Fooladi 2020). Finally, such an outlook also incentivizes companies to not fully disclose their (environmental) impact or potential liabilities in the absence of legislation, making it difficult for investors and other stakeholders such as governments to assess both financial risk and societal risks associated with the company (Tsang, Frost & Cao 2023).

However, a shift in management styles has been on the rise. Where previously the management body of companies would often solely focus on the interests of shareholders, and thus on profit maximization, a more inclusive perspective is assumed, namely that of stakeholder theory (Schaltegger, Hörisch & Freeman 2019). Where shareholder theory looks only at the interests of the shareholders, stakeholder theory takes on a more inclusive stance, considering most, if not all, parties directly affected by business operations. This ranges from consumers and shareholders to employees to families of employees to employees of the production chain to by production affected local communities. This perspective does not only look at profitability, as human rights, environmental sustainability and social consequences are also considered (Laplume, Sonpar & Litz 2008; Hormio 2017). Given said shift, which also entails a more inclusive and complete perspective on damages and responsibility, shareholder theory is better fit for combating climate change; a party that causes damages that are in the scope of its control is responsible for those damages. While the causal scope of what "damages" can be has evolved over the years, stakeholder theory employs a more zeitgeist-fitting approach to this question.

The question remains what duties the private sector has to autonomously green themselves. As mentioned in chapter 1, regardless of the main goal a company has, it will have to maintain itself, and the only way to do that is to acquire profits. Without such influx, other main goals than profit, such as community upholding, will not have an ability to continue, as the company cannot maintain itself without money. In such context, requiring a company to prioritize greening over profits all together would be unwise, regardless of ethical considerations, as it would lead to the possible destruction of the company, the potential greener in question. While one could question whether sacrificing a portion of the profit for greening would then be something that can be expected of the private sector, such considerations require the connotation that this would impede the competitive qualities of a company, which could also mean that the greening company its influence would recede, while the non-green grows. Such considerations are also posited by Cheyvens, Banks & Hughes (2016). They warn that relying on market mechanisms in greening makes the system vulnerable to influence from the private sector, the very sector that requires restructuring, and the very sector that currently is aimed at maximizing profits. While influence of the private sector is necessary to finetune prospective legislation, one must be cautious of attempts to maintain the profit maximization tendency. Furthermore, a fair warning is given that businesses often pay no heed to the language of responsibility, only changing their business strategies when the law requires them to do so. This too illustrates that expecting companies to meet responsibilities may, without legal reform, be too much to ask the private sector, as the entire corporate culture is unlikely to cooperate with hopeful messages of responsibility.

Luckily, the proposed legal reform has already been in development, and then already exists to a certain extent. Externalizing environmental and social costs, as has often been the case, has become increasingly difficult and scrutinized, both in theory (stakeholder theory) and in practice (tort law & private enforcement). While further considerations on *future* developments and what steps are to be taken will be covered in chapter 3, this chapter will establish the *status quo* on these developments, and what they have caused already.

In line with stakeholder theory, there have been significant developments for law on ethical business practices, of which an example is the OECD (Organization for Economic Cooperation and Development) framework. While primarily focused on labour law, the OECD framework now encompasses a plethora of fields, such as human rights, taxes, competition and the environment. Its workings are as of now, however, non-binding; it operates through recommendations and guidelines, which are mostly aimed at companies. While these guidelines are not binding, they are authoritative, especially in member states of the OECD, as the OECD has executed an imperfect yet effective mechanism to govern aforementioned fields (Schuler 2008; Achtouk-Spivak & Garden 2022). Imperfect, as private parties are often not convinced of the fairness and benefit of participating in the procedures, but effective, as the OECD has managed and tried many cases over the years (Davarnejad 2011; Schuler 2008). Such frameworks then have created an incentive for the private sector to act in line with OECD guidelines, as to avoid public shaming where this is the more profitable option.

Most of the western world also currently has a legal system wherein private enforcement is possible with (tort) law and litigation. This possibility is also increasingly used; in cases where public enforcement has fallen short of expectations and needs, private individuals and organizations have started to sue corporations and governments for not upholding their promises or obligations towards the law and contracts (Taylor 2020; Preston 2011). While many cases have failed in court, even those cases have had shown effectiveness, in the form of encouraging private and public entities to proactively consider sustainability within their decision-making, strengthened by the looming threat of legal pursuance (Preston 2011). This shows that here too, an incentive is created to act more sustainable then was the case before this trend of sustainability litigation.

Chapter 3 – change within the framework of the current capitalist system

Having discussed the current structure in which the private sector is embedded and the incentives created by that structure in the previous chapter, it is not yet possible to conclude how the private sector is responsible towards the public for climate change mitigation in a capitalist system. Seeing as the private sector is an essential part of the mitigation and adaptation of and for climate change, there is a need to explore not only what the current capitalist situation is, but also to explore what can be expected to be achieved within existing structures and systems. Within this chapter then, the paper will look at all the steps that we can expect from the private sector to be taken through existing mechanisms, so without the need for major legal reform. In that context, this chapter will analyse possibilities for systemic change through consumption shifts, responsibilities arising from existing legal structures, activism and ethical investment. The paper will also further analyse shareholder responsibilities, looking at the mechanisms of shareholder resolutions.

Consumption shifts

As mentioned, the private sector, aiming for profit or profit maximization, is dependent on its consumers, as they generate the profit. Companies then, logically, cater to the will of their clients, as to ensure profits. This makes companies dependent on the will of its consumers; if a certain consumer base would shift its preferences from non-sustainable to sustainable consumption altogether, a company is forced to choose between altering their products, or facing the downfall of the company. Having established that consumer behaviour has influence over corporate behaviour, one might assume a responsibility for consumers to alter their behaviour to green the corporate world. While this question will not be answered in this paper, its context does allow to draw some parallels between that of the consumer and the corporation. While research has shown that most people are willing to act more greenly, and keep in mind sustainability in their day to day choices, it also shows that there is a significant gap between that willingness, and the actual acting upon that willingness, more so when acting more greenly is more expensive than not keeping sustainability in mind (Young et al 2010, pp. 1-3). This finding places connotations on the question of consumer responsibility, as it raises questions on in how far we can expect the consumer to take these green steps, especially in a context where the corporate world (another entity subject to capitalist incentives of maximizing (economic) profit) does not always green itself without external intervention either. To ask of the consumer to make green choices will only be in line with what the system incentivizes if the green choice is more economically profitable (DeSombre 2018, p.14) This option will then further be explored in the next chapter, as such measures can be achieved by government intervention.

Responsibilities arising from existing legal structures & activism

However, consumer behaviour is certainly changing into a greening direction, especially when it comes to alterations not affecting, or positively affecting the economic costs of the consumer (Kostiuchenko, Smolennikov & Burnakova 2022). A part of the consumers may even value greening more than they do financial gains to a certain extent. This is evidently the case for organisations such as Extinction Rebellion and Just Stop Oil, which, through blockades of highways and defacing buildings of major polluters, have raised awareness and demanded reform (Özden & Glover 2022). Such appreciation of greening might allow organizations such as the OECD and initiatives such as the ESG Framework and the UN SDGs to achieve greater fruition soon. The mentioned initiatives all rely on voluntary adherence; there are little to no hard laws enforcing the set out guidelines and such. However, reports on company behaviour often draw upon the guidelines and advice set out by the aforementioned organizations, as for example the ESG goals are often incorporated in yearly reports by bigger companies, such as Heineken and Coca Cola (Kostiuchenko, Smolennikov & Burnakova 2022, pp. 85-87). By having to report on these issues, bigger companies are taking effort to act in accordance with the guidelines, as to not having to report negatively on themselves, and to garner a positive reputation (Kostiuchenko, Smolennikov & Burnakova 2022; Scheyvens, Banks & Hughes 2016). The importance of such greening reputations can be found in the sheer number of academic reports on them, and the way that they influence consumer behaviour; given the choice between a green company and a non-green company, ceteris paribus, the consumer will often choose the green company, both in consumption and in investing (Lim et al 2023; Upadhyaya 2023). Through these mechanisms, the sustainability development can make use of, rather than be limited by, the capitalist nature of society; as corporations want to maximize profits, they will have to meet consumer demand, which is increasingly sustainably oriented. Given that the consumer demand is increasingly sustainably oriented, companies will have to take increasing efforts to appear sustainable, which they can achieve by becoming increasingly sustainable and report on it. Ofcourse, these mechanisms are still subject to corruptions, such as greenwashing (Yang et al. 2020, pp. 1499-1500). The mechanisms are also limited, as the company will keep avoiding greening measures that will increase the price of products for as long as the consumer does not want to pay for this increased price. Such considerations are to be further explored in further research.

Shareholder responsibilities

Shareholders, which are the superiors of the board, have an ultimate say in the direction of the company. While they then do hold great power, shareholders are often no more than individuals. To what extent can the responsibilities of shareholders be equated to those of the company as a whole? To answer this question, theory on direct duties by Elizabeth Cripps (2013) is especially relevant (pp. 162-165). This theory argues that all individuals carry a duty to further collective action against climate change. it states that “individuals, or small subsets of individuals, should attempt to aid victims or mitigate the harm directly” when collective action is disproportionally costly in comparison with effective individual action, as for those individuals the promotional activity is more demanding than the individual action (Cripps 2013, pp. 163-164). It could be especially applicable to shareholders in tandem with Larry May's theory, which states that “those who could have exercised leadership skills have a greater share of responsibility for failure to organize to prevent serious harms” (p. 163). Following this theory, those with a specific differentiating position then hold greater responsibility to utilize that position, or as Voltaire stated “with great power comes great responsibility”. Both theories are applicable to shareholders, as they happen to hold more sway than others do with regards to company operations, having accepted a position in society that holds greater societal responsibility per role (Cripps 2013, p. 163). Then, holding shareholders to the same standards as the company is not unreasonable. However, doing so has little more effect than the previously mentioned; for the corporate to achieve the most possible greening, the company needs to stay alive. Otherwise, another company will just take over, possibly not attempting to green at all. In that context, the shareholders too will need to continue the stimulation of making a profit. Concluding then, the shareholder is to be held accountable in cases of subpar greening by the company, but subpar greening by the company is not automatically the case when the company continues to aim for profit, or even profit maximization (Lee 2004, p. 32). Continuing to aim for profit is not necessarily contrary to greening, especially not within the confines of the law.

Divestment & investment

Finally then, there remains the possibility of divestment from fossil fuels and other non-greening industries, and investment in sustainable and greening companies. As these steps do not require government intervention other than providing a marketplace, they offer an additional option for the private sector and for individuals to promote greening. Investing, in its essence, aims to acquire the same profit maximization that the corporate world aims for. If the invested-in entity grows, the shares their worth grow with it. Determining the worth of a publicly traded company is fully done by market mechanisms; if the demand of the shares goes up, so goes their worth, and if the supply rises, the worth goes down again. In essence then, the financial market is a continuous collective action. If there is an increasing sentiment that investing greenly is the way to go forward, people will buy shares in greening companies, and like a self-fulfilling prophecy the worth will grow since the investors believed that they will grow. This would mean that green investments and divestment from e.g. fossil fuels is fully in line with the capitalist rhetoric, as the pursuit of profit and the greening go hand in hand. While the indirect advantages of sustainable investment have yet to be confirmed, direct impact of it has been confirmed (Kölbel et al. 2020, p. 570).

However, the extent to which this is the case is dependent on the awareness the public has on sustainability issues, and the extent to which the public values these issues (Healy & Debski 2017, p. 716; Pástor, Stambaugh & Taylor 2021, p. 566). Increased reporting by companies on their sustainability, as previously mentioned, is essential for sustainable investing to grow, and have a significant impact on climate change mitigation and adaptation. Despite this dependency, an increase in sustainable investment is then a reliable and effective way of promoting greening. Given the capitalist-effective nature of it, it is not in conflict with the aim of maximizing profit, and thus, exceptions given, not more of a burden on the private sector than regular investing would be. Therefore, it can very much be expected of the private sector to engage themselves in sustainable investing rather than regular investing, which makes, in this context, that the private sector holds a responsibility to do so.

Chapter 4 – public responsibilities towards the private sector in sustainability; possibilities for changing the system

As observed, the private sector is subject to legislation, and is dependent on it for providing a framework of expectations among corporations. Without enforceable rules on the boundaries of what is allowed within the private sector, companies are limited in how far they can green themselves, constrained by the necessity of profit. While changes as shown in chapter 3 are possible, without further government intervention, many necessary greening changes will need additional legislation for them to be compatible with the capitalist corporate system. This paper will show why government intervention is necessary for the private sector to be able to assume and fulfil responsibilities in climate change mitigation and adaptation using the example of Non-Financial Reporting (NFR).

Transparency & Voluntary sustainability standards

Chapter 3 highlighted the potential impact sustainability reporting has on greening. While there is a market mechanism that already intrinsically encourages the private sector to report on their greening efforts, this field is also highly viable for corruption; issues such as greenwashing and other types of customer misinforming are a looming threat (Yang et al. 2020, pp. 1499-1500). Luckily, with increasing legislation on the matter, and increased public scepticism, the risks of employing greenwashing are decreasing (Gatti, Seele & Rademacher 2019, pp. 11-13). However, the causal relation here is evident; government needs to set in place clear and binding regulation on the matter for greenwashing to be kept in check, as it is the corporate incentive to make as much profit as possible within the confines of the law. With incomplete public awareness then, a company might attempt to misuse sustainability reporting to achieve further profits (Yang et al. 2020, pp. 1499-1500; Gatti, Seele & Rademacher 2019, pp. 11-13).

One might refer to private enforcement through voluntary sustainability standards (VSS) here, as an alternative to government intervention. However, the most prominent kinds of VSS came to be through government involvement (Lambin & Thorlakson 2018, pp. 386-387). While governmental involvement has in recent history been inadequate, causing the requirement of private governance, governments are increasingly involved and taking over governance on these subjects (Lambin & Thorlakson 2018, pp. 386-387). The increased involvement by governments has had definite positive effects, as shown in the observations of Gatti, Seele & Rademacher (2019) and Yang et al. (2020); while much of reporting was already happening before government requirements, it contained many faults, which have become less prominent throughout the years, especially in tandem with an increase in governance. Yang et al. provide examples of this in the east, but the same can be said globally; the more transparent firms need be, the less likely the firm is to commit selective disclosure (Marquis, Toffel & Zhou 2016, p. 498). Not only is selective disclosure less likely to occur, but government requirements on disclosure have even caused a rise in climate change mitigation and adaptation through EU ESG Reporting Directives (Aluchna, Roszkowska-Menkes & Kaminski 2022, pp. 18-20).

This shows that while private initiatives like VSS do certainly positively affect climate change mitigation, they have only been able to do so to a limited extent, as government intervention has drastically improved the quality and impact of said initiatives. This is in line with previous content of the paper; the private sector is limited in their CSR & CMR efforts by their capitalist nature, as profit is a key factor in their existence. The moment profits are challenged by such efforts, the survival of the company will be deemed more important as a matter of self-preservation, and the initiative will meet its downfall. This limiting factor for the private sector creates additional responsibilities for the public sector. Governments hold a responsibility to safeguard their people and the common good, which in today's climate also brings with it responsibilities concerning climate change. To safeguard the wellbeing of their people and the common good, sustainability efforts need to be taken, aiming for climate change mitigation and adaptation. For these goals to come to fruition, the private sector needs to be facilitated in their greening efforts, as they autonomously cannot achieve these efforts to their greatest extent. Then, logically, the government carries the duty to facilitate the efforts of the private sector in greening.

While the example of NFR may seem specific, a similar theory holds true for other fields; the EU deforestation directive, for example, would not be able to come to be without the involvement of the government. The directive, all but prohibiting the import of products produced on deforested soil or production of products on deforested soil, has a major impact on the profitability of many businesses. Already, notions have been made that this regulation could potentially have harmful effects to many businesses inside and outside of the EU (Zhunusova et al. 2022, p. 7). It is, however, also expected to drastically reduce GHG emissions and damaging of biodiversity within and outside of the EU (Zhunusova et al. 2022, p. 7).

Concluding then, while private sector initiatives such as VSS are beneficial and needed to achieve greening the government, acting in its public (rather than its private) capacity, needs to employ intervention to further the efforts of the private sector there where the nature of corporations inhibits further development.

Objections

Up until now, the division of responsibility between state entities and private businesses has been relatively straightforward. However, one might challenge this by considering a morally reprehensible act, such as a company trafficking children for profit. Are there not moral limits on profit maximization? I argue that while there certainly are moral limits, it is not the role of the company to decide these limits. Even in extreme cases like child trafficking, which is universally condemned, the responsibility to set moral boundaries lies with the state, not the business. This is because laws are a reflection of society's moral code, and it is the state's role to interpret and enact this code into law. To expect businesses to independently act against their nature in a capitalist system, where profit maximization is incentivized, is unrealistic. It's akin to expecting a meat grinder to stop grinding meat because eating meat is deemed wrong. In my view, it is the government's responsibility to ensure that businesses are not incentivized to act in morally reprehensible ways, as businesses are not part of the democratic framework that determines societal morals.

Conclusion

To answer the research question “How is the private sector responsible towards the public for climate change mitigation in a capitalist system”, this paper has explored what the capitalist system in which the private sector is embedded incentivizes, the possibilities the private sector has to engage themselves in climate change mitigation and adaption within that context, and where the capacities of the private sector are limited without government intervention. First, the paper determines that the responsibilities of the private sector are deeply dependent on what is incentivized. Thereafter, this paper has determined that the capitalist system which lies at the nature of the corporate world incentivizes profit maximizing behaviour. Shortly stated, this is the case due to a firm’s dependency on profit to stay operational. If a firm then receives no profit, not only will it stop existing, but the auxiliary functions of the firm, such as upholding communities, or assisting in climate change adaptation, will also come to a halt. Therefore, companies can only be required to green without government intervention in so far this does not hurt their profitability. One could misinterpret this by assuming that the responsibility of the firm is dependent on its willingness to do so. This is, however, as implied, not the case; the argument that is made is that it is morally unwanted to expect behaviour that is opposite of the behaviour that an imposed system/context incentivizes. In a situation where the state provides a legal and economic system in which society is embedded, and that state is democratically put in place, then society and the government cannot ask entities within that system (or as is the case here, entities that are a product of that system) to act contrary to what that system incentivizes.

Having established this, this paper has non-exhaustively explored the possible ways in which the corporate world can then green while maintaining profits in the near future, without government intervention. After briefly covering the subject of consumer responsibility, and how shifting the costs to the consumer has some problematic connotations, this paper has illustrated how there is a trend of greening among consumers, and how this works in tandem with increased awareness on and appreciation of corporate greening behaviour. In a context where consumers will choose for a greener company when the choice must be made between two equally expensive companies, the private sector is incentivized to green themselves, and report accordingly. With regards to shareholders, who are the middle ground between the ordinary citizen and the company, this paper concludes that they hold a similar responsibility as the company with regard to the company they are shareholders of, as the shareholder is to be held accountable in cases where the company’s greening policy is subpar. Companies also hold a responsibility to divest in fossil fuels and invest in more sustainable companies and investment funds, as this is not in conflict with the profit-chasing nature of the company. Given the nature of the financial market, collective green investment is a self-fulfilling prophecy; the more it happens, the more profitable it will be. The effects of such investment are however dependent on public awareness on the issues, and then on NFR. This principle may be threatened in situations where divestment is not in line with profitability, even after collective action. In these cases, the government holds a responsibility to change the systemic context causing this discrepancy.

Finally, this paper has observed that while private greening has a positive effect, this positive effect is limited by the nature of the capitalist company; If a company needs profit to maintain itself, all the measures that limit this profit will have a high probability of not being implemented. In these cases, the government has a responsibility to intervene and assist. Not only does the government hold a responsibility for the safety of their subjects and the common good, but government intervention often has a positive effect on initially private greening initiatives such as VSS, as can be seen in the recent history on NFR development and legislation. Then, it is the role of the government to step in where the private can go no further and provide necessary initiatives and legislation that will harm the profitability of companies. This government responsibility does, however, not take away the responsibility of the private to green themselves.

This research has shown that more research is needed on multiple subjects, among which the effects of greenwashing on consumer greening and responsibilities of greening for the private sector. Further research into the economic and philosophical nature and effects of a movement from non-green investing to green investing is needed, as this research has insufficient insight in the financial considerations of this subject. Also, while this paper has focussed on changes and duties within the current capitalist system, there of course also exist possibilities to address climate change outside of this scope. In that sense, this research is limited, and in need of further research on extra-capitalist research. Also, research is needed on this theory and its effectivity from a moral absolutist perspective, as this paper assumes moral relativism.

Concluding then, the answer to the research question “How is the private sector responsible towards the public for climate change mitigation in a capitalist system” is that the private sector is responsible for private greening in so far as this does not harm its self-preservation through profits, and is responsible for following the law when the government must step in for further measures.

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