

The Case for Socially Responsible Investing

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Abstract

Socially Responsible Investing (SRI) is taking hold in America. The crisis of modern society, in social and ecological terms, is driving the movement for a sustainable society -- beginning with our businesses. In the United States, SRI has become a growth industry itself; steadily rising throughout the 1990's, it now controls 1.2 trillion dollars of investment capital. SRI is accomplished through methods of screening, community investment, and shareholder advocacy. In this paper we speak to the underlying issues of environmental degradation and to the unsustainable practices that have led to an increase in the Gross National Product, but a decrease in the welfare of the earth and its people.

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Preface

At the Kerr Center for Sustainable Agriculture, our mission is to offer progressive leadership and educational programs to all those interested in making farming and ranching environmentally friendly, socially equitable, and economically viable over the long term.

We are privileged to have an endowment and we want to make sure that all of our programs are environmentally sustainable and in keeping with our values and goals. To this

end we began to look closely at our investment portfolio. Of course, it is important to us that our money work effectively to earn the best returns possible; but we also want our money to support businesses that are truly supporting the welfare of the people and the earth.

We would not dump trash into our rivers, streams, and aquifers or spew toxins into the air or into the sea. We would not degrade the soil that is needed to sustain us and all other life forms. We would not clear cut our remaining old growth forests, or strip-mine our remaining minerals. Neither would we exploit labor or the knowledge and wisdom of indigenous peoples. Why should we give our money to companies that do? The concept is that simple.

We began looking for companies that echo our values of sustainability and social equity. Over the past ten years socially responsible investing (SRI), has undergone tremendous growth. Investors who want to integrate their values with their money no longer have to be resigned to investing in stocks with lackluster performance and accepting lower returns on their money. Using SRI we can shift our money away from companies that are extractive and into companies that are restorative in their policies and practices. In this report we will share with you information on why it is necessary to look at the companies we are investing in, and just how to do that.

The Case for Socially Responsible Investing

Introduction

Part 1: What Is Social Investing?

There is a new revolution in America. It is a revolution of ethical investing, and with it a new sense of hopefulness is sweeping the country. In the Western world, particularly in the United States, our personal prosperity continues to expand. With this expansion, we are being empowered to make critical decisions that will reflect the quality of our lives, and the futures of not only our children, but all the children of the world. Indeed, all the species of the world are dependent on us to step forward at this time, and together create a world that we envision.

Analysts are stating that America's business markets have entered uncharted territory as we are currently in the midst of unprecedented economic growth for the longest sustained period in the history of our country.

The 1990's have also seen a surge in use of personal computers. In fact, the advent of the Internet and online investing has given people a larger voice in both our American markets and the worldwide economic markets, and our voice is having an impact. We no longer have to rely on a broker to stand between us and the market place. With the click of the mouse (the squeak heard round the world) millions of us are doing our own research and often, making our own buying decisions.

Our economic growth is the good news; yet, it is also the bad news. Few of us would dispute that our world has grown more complex and congested. With this congestion it has become increasingly more difficult to sort out what is life sustaining, what values will nurture us and future generations.

It is easy to look around and see the source of this congestion--and it is not just increased population. We are congested with products that consume energy, with products that are empty of value, that do not nurture us, and in point of fact, decrease our ability to nurture each other and the earth. We are overwhelmed with *stuff*, and we are being assaulted on all fronts. Basic issues such as: Is the air quality such that we can enjoy being outside today? What food can we safely eat? Is the water truly safe to drink? These are no longer questions of the future, these are questions we are confronted with today--and these three questions are just the beginning of a long list of questions that speak directly to the quality of our lives. In fact, the questions not only speak to the quality of our lives, but to the *sustainability* of our lives. When the accounting is finished, it is clear that all living systems on earth are under stress and in decline.

Socially responsible investing (SRI) is about the **economics of sustainability**. It speaks to us of our responsibility to do more than just invest; it speaks to our responsibility to educate ourselves and others; to know how our money is working; to know what our money is buying. It challenges us *to put our money where our mouth is...*in popular vernacular, *to walk our talk*.

In America, there have always been those who could not, out of religious or ethical beliefs, feel comfortable investing where the reflected values of business were different from their own values. SRI is the ability to bring your particular concerns, whether they are social, environmental, or ethical, to the market place with you. It is an opportunity to integrate your values with your money. Economic strategies are time-tested methods of creating change in the world around us. Whether through individual action, simply buying the products that you like-- or a national policy of embargo-- financial strategies have power.

SRI is a viable way to earn profits--it is currently a \$1.3 trillion industry, representing 10% of all invested assets, with earnings that are competitive with the other investments. In fact, one fund has topped the S&P 500 index for the last eight years.

The Kerr Center for Sustainable Agriculture believes that each individual can make a positive difference in our world, but it will take more than just our actions alone to turn our world around. It is the system of commerce, the way that people do business that has created the stress on our environment. Corporations are the dominant institutions on the planet. It will take their commitment to change what is happening in our world.

Business is about profits and growth; it does this by meeting the wants and needs of an ever-increasing population. However, the methods business has always used to do this are no longer viable in today's world of environmental and social stress. Today's world needs corporate leaders that will shoulder the responsibility of the degradation that they have created. Corporations need to rethink their methods of doing business and design procedures that are nurturing to people and to the planet.

We live in a world of global free trade, where multinational corporations and trade agreements often overrule social laws, yet have none of the social responsibilities. They are generally self-monitoring, often tax free, and in many cases are depleting the earth and robbing the world of valuable resources, without paying for them. We live in a world of sound bites and spin, with companies spending billions of dollars each year on advertising. They not only project an image that they want us to accept and admire, they create the desire in us for their products. It is up to the individual to investigate the true practices behind the presentation. It is up to us to know what our money is truly funding and if it is what we want to be buying.

We believe that the companies that play an active role in the betterment of the earth, in restoring and protecting the environment and engendering the well being of the people of the world, will be the companies that will come to the front to lead us in prosperity in the twenty-first century.

Part 2: Why Should We Invest In a Socially Responsible Way?

As we begin the next millenium, we need to take a close look at our world and determine what our course of action will be for the future. We are faced with complex issues and problems that have been created in part by us, by our habits and lifestyles, but predominately, by our ways of doing business. The good news is that just as we helped to create our problems, we can and must have a part in solving them. Responsible companies need funding to grow and expand. We need to vote with our dollars to indicate our approval and provide our support to those that are doing a good job. If we can move funds from extractive companies that create the problems, to restorative businesses, we have doubled our impact. However, the time for action is now. There was a cultural saying a few years ago that has fallen into disuse during these times of prosperity:

if you're not part of the solution, you are part of the problem

This was never more true than now. It is up to all of us to educate ourselves, and our children, to the nature of the problems and armed with information, we will be able to make better choices as to our personal course of action.

The Problems of Investing in Extractive Business

On November 18th, 1992, some 1,680 of the world's senior scientists from 69 nations from all parts of the Earth, including the majority of the Nobel laureates in the sciences, signed and sent an urgent warning to government leaders of all nations. According to this warning...

*"We the undersigned, senior members of the world's scientific community, hereby warn all humanity of what lies ahead. A great change in our stewardship of the earth and the life on it, is required, if vast human misery is to be avoided and our global home on this planet is not to be irretrievably mutilated."*¹

The message contains warnings on both the population and the environment, including the atmosphere, water resources, oceans, soil, forests, and living species.

To demonstrate why our action is needed, we need to discuss the problems, particularly the environmental problems that surround us. As already noted, the problems are complex; in this format we can only provide a brief look at the overall issues and try to make our explanations simple, yet not simplistic.

The first law of ecology is--**you cannot do just one thing**. The world is a web of interrelated living systems and biospheres where each one is dependent on the other. When one begins to break down, it has a domino-like effect upon all the others.

The two basic components that sustain life are *solar capital* and *earth capital*. All living things require fertile soil, breathable air, pure water, oceans, wildlife, minerals, nutrients and the natural process of recycling wastes; all of these things comprise earth

capital. Solar capital is our abundant energy from the sun. **Everything is composed of solar and earth capital.** Ourselves, the food we eat, and all biologic forms are made from the same elements. Another thing that we humans need to keep in mind is photosynthesis--we *cannot do that*. We are dependent on plant life for photosynthesis. Without photosynthesis, we do not have oxygen. This is a simple fact, but one that keeps getting lost in our global rush to log our trees.

Human capital is comprised of the physical and mental capabilities of humans. Industrialized systems make manufactured capital, products produced from earth capital by human capital. "The biosphere represents our source of wealth. It is the capital which we draw down to support our lives. Whenever we pollute or degrade that system with toxins or waste, we are destroying our natural capital and reducing our ability to sustain our civilization. It is that simple."²

Human health and welfare are intimately connected to the earth's ecosystems and their preservation and management, and to our use of resources. Since the advent of the industrial age and the twentieth century we have not been very good stewards of the earth. We have not managed our resources--our earth capital--in a sustainable way.

If we have financial capital, deposit it in a bank, and draw interest on that capital, we will have income; if we leave the capital intact, we will be able to sustain that income *indefinitely*. However, if we continually draw out our capital, we will earn no income, and more to the point, we soon will have depleted our capital. We will be broke. It is exactly the same with earth capital, and much of our earth's capital is non-renewable. Minerals and fossil fuels made up of oil, natural gas, coal and uranium are nonrenewable resources. They cannot be recycled or reused. When they are gone-- they are gone. However, as we burn the usable energy from these sources, the waste heat and polluting exhaust gases are all we have left.

Earth's *renewable resources* are direct solar energy and the energy of winds, tides, and flowing water. We also have what is termed *potentially renewable* resources, (resources that have the ability to renew themselves over a shorter period of time, generally within the scope of a human lifetime) such as fresh air and water, fertile soil, and our biological diversity, which includes earth's plants and animals. The depleting of these potentially renewable resources could result in extinction.

"Sustainable development has been defined by the Brundtland Commission as development which meets the needs of the present without compromising the ability of future generations to meet their own needs."³ This concept has at its base three central themes, economic growth, environmental protection, and social justice. "Between 1950 and 1996, the world's population has doubled but the demand for grain has nearly tripled; seafood consumption has risen fourfold; paper use has gone up sixfold; burning of fossil fuels has quadrupled; and the use of water, beef, and firewood have all tripled. These exponentially growing demands on the earth's resources in the rapidly expanding global economy are damaging the foundation of earth capital on which all economies rest. Evidence of such damage includes shrinking forests and wetlands, disappearing species, falling water tables, eroding soils, collapsing fisheries, polluted lakes and rivers, and ozone depletion."⁴

These statistics tell us that our environmental problems are growing larger as the population increases; however, it also tells us not only the increase in population is the basis of the depletion of our resources. In fact, "in developing countries, population size and resulting degradation of potentially renewable resources (as the poor struggle to stay alive) tend to be the key factors in total environmental impact. However, in developed countries, high rates of per capita resource use (and the resulting high levels of pollution and environmental degradation per person) are believed to be the key factors determining overall environmental impact. For example, the average U.S. citizen consumes 35 times as much as the average citizen of India and 100 times as much as the average person in the world's poorest countries. *Thus poor parents in a developing country would need 70-200 children to have the same lifetime environmental impact as two children in a typical U.S. family.*"⁵

The rate at which we are *spending* our resources--the earth's capital-- has more to do with our methods of doing business, than with the problems of feeding the world. The way in which we, through and by our commercial endeavors, have designed our modern lives--this is the true impact on the environment.

With the advent of industrialized society, we began our long journey into the world of introducing pollutants into our atmospheres. Our current environmental problems stem, in large part, from the pollution that is generated by our methods of extracting, processing, and using our energy sources. Energy, although a huge source of pollution, is only a part of the problem. Paul Hawken, in his seminal work, The Ecology of Commerce, says succinctly, "To change this state of affairs, business will have to deal directly with the three issues of *what it takes, what it makes, and what it wastes.*"⁶

Pollution is "contamination of the environment as a result of human activities. During the 20th century, pollution problems have arisen in all industrialized areas as well as in various inland and coastal waters and stretches of ocean. The capacity of the biosphere to disperse, degrade, and assimilate human wastes is in question. An early sign of environmental limits was the air pollution brought on by the burning of coal to run mills and machinery. It was not until after World War II, however, that many viewed pollution as a threat to the health of the planet. By the 1960's, population increases, industrial expansion, and burgeoning truck and automobile use were producing wastes in such quantity that natural dispersing and recycling processes could not always keep pace. Exacerbating the problem was the appearance of synthetic substances that degrade extremely slowly or not at all: plastics, fibers, organic pesticides such as DDT, industrial chemicals such as PCB's (polychlorinated biphenyls), and the wastes from their manufacture. Thus, garbage and toxic chemicals polluted the land and infiltrated ground and surface waters. Pesticides have poisoned wildlife, and industrial waste products have contaminated drinking water and, in more severe cases, caused evacuation of homes (e.g., Love Canal area, Niagara Falls, N.Y., 1978). Effects of industrial wastes have spread over larger areas as well, e.g., when mercury reached toxic levels of high concentrations in widely distributed species of food fish in the early 1970's. Airborne industrial wastes created acid rain and, with automobile emissions, produced severe air-pollution problems, including smog in many urban and suburban communities. The contribution of pollutants to global environmental problems, such as global warming and depletion of the earth's ozone layer, has prompted international meetings and agreements. Radioactive materials from the nuclear reactor accident at Chernobyl spread through Eastern Europe and Scandinavia; lack of appropriate disposal

facilities has led some countries to dump radioactive wastes in the oceans. Current evidence strongly implicates various pollutants in numerous human health problems, such as cancer and birth defects; genetic changes; chronic headaches, fatigue, and irritability; and digestive disorders. By the 1970's, many organizations and governments were seeking means of controlling pollution. In the U.S., Congress established the Environmental Protection Agency and passed numerous laws for pollution control. Waste disposal, long considered routine, has also become an increasingly complex science and a major industrial challenge. Waste disposal specialists seek solutions to the safe disposal of many hazardous substances, including highly toxic radioactive wastes."⁷

We have become so used to living with the variety of pollutants that surround us that we rarely think of them as poisons, but instead refer to them in a language that somehow lessens the threat; we talk in terms of biodegradable or non-degradable. This is an important aspect for us to understand, most of us think of pollution as occurring near urban areas where there is a concentration of people and industrial contaminants. However, industrialized agriculture is also a major source of pollution. An emerging issue is that of genetic pollution as agricultural biotech companies begin to move genes from one species to another in both livestock and crops. Another concern is that in agricultural pollution **(including golf courses and suburban lawns and gardens)** the pollutants, pesticides, herbicides and fertilizers, are dispersed by runoff through our streams and lakes and by seepage into our water aquifers; they are blown by the wind through the atmosphere. This type of cleanup is even more difficult than is pollution from specific and identifiable sources.

There are two approaches to dealing with our pollution problems: prevention and cleanup. Prevention, the obvious choice, requires us to make and use different products. The other choice, cleanup is less efficient and less effective. It requires more investment in money and labor--and of course, as long as the same consumption rates continue to increase, we have gained little. However, that is where we find ourselves, cleaning up after oil spills; cleaning up toxic dump sites; burning our garbage and creating toxic emissions; and in some cases of air and water pollution, we have no way to effectively clean them up.

Connecting the Dots

Business and the consumerism that drive business are the main sources to environmental degradation in the world; companies are driven to produce more and more goods at the lowest possible cost. The production of these goods requires extracting and processing raw materials--earth's natural capital. These raw materials, earth capital (sometimes held in the commons--clean air, migratory birds, oceans, fish, Antarctica, space) are treated as an external cost of doing business; and as such, they are not listed in the market price of the goods. Because business does not use *full cost accounting*, the true cost of doing business remains hidden. Earth capital, and the expenses of using earth capital, are simply left for the consumer to absorb. This keeps the companies competitive, but the *real* cost of doing business has to be paid for by someone.

Miller explains this dilemma using the illustration of the automobile: "All economic goods and services have both internal and external costs. For example, the price a consumer pays for a car reflects the costs of the factory, raw materials, labor, marketing, and shipping,

as well as a markup to allow the car company and its dealers some profits. After a car is purchased, the buyer must pay for gasoline, maintenance, and repair. All these direct costs, paid for by the seller and the buyer of an economic good, are known as the internal costs.

On the other hand, extracting and processing raw materials to make and propel cars depletes nonrenewable energy and mineral resources, produces solid and hazardous wastes, disturbs land, pollutes the air and water, contributes to depletion of stratospheric ozone and possible global climate change, and reduces biodiversity and ecological integrity. These harmful effects are external costs passed on to workers, to the public, and in some cases to future generations....

Because these harmful costs are not included in the market price, people do not connect them with car ownership. Still, car owners and everyone else pay these hidden costs sooner or later, in the form of higher costs for health care and health insurance and higher taxes for pollution control." ⁸

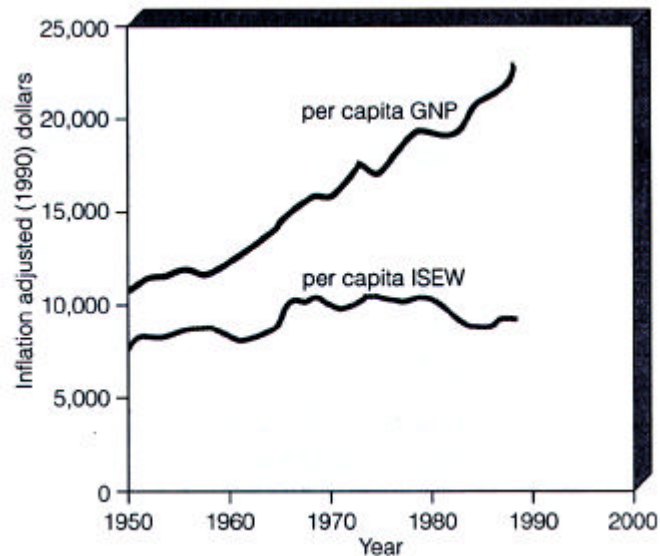
Yet, the very basis by which we establish the "health" of our country is by monitoring the economic growth. Government and business leaders measuring and noting the increase in the market value of all the goods and services produced within a year do this monitoring. These figures are then divided by the total population of the country in order to place a value on the average person's economic status. However, in averaging the gross domestic product (GDP) and gross national product (GNP), the fact that some citizens are far wealthier than others, is not factored in; so the figure says little about the state of the welfare of the people, or about the environmental health of the country. Actually, the GNP and GDP do not include the depletion and degradation of natural resources or earth capital on which all economies ultimately depend:

"GDP and GNP hide the negative effects (on humans and on the rest of the ecosphere) of producing many goods and services. Pollution, crime, sickness and death, and depletion of natural resources are positive gains in the GNP or GDP. Every time an irreplaceable old-growth forest is felled or a wetland is filled, the GDP and GNP go up. Every time that radiation or a chemical causes cancer and the victim is treated, the GNP and GDP go up, and they rise even more if the patient dies and incurs funeral expenses.

Pollution, for example, is a triple positive gain. It is counted as a gain in GDP when it is first produced, again when society pays to clean it up partially, and again as a third gain when people become sick or die from exposure to the pollution. Thus, in this unreal system of economic bookkeeping, where every money transaction adds to the GDP or GNP, pollution is counted as an important economic benefit even though it decreases the quality of life for hundreds of millions of people."⁹

Since early in the 1990's ecological economists, such as Herman E. Daly, John B. Cobb, and Clifford W. Cobb, among others, have been urging business and government to change to full cost accounting. Only when all the costs of doing business is factored in, will we have a true market economy. They have developed an *index of sustainable economic welfare*, (ISEW). This index measures per capita GNP that has been adjusted to include the degradation of the earth resources as well as a long view of environmental damage to the ozone and possible global warming. It also adjusts for unequal income distribution. As you can see from the following chart, the results were decidedly different from that of the GNP. The ISEW gives a much clearer view of the actual

welfare of the earth and its people.



Comparison of per capita GNP and ISEW (index of sustainable economic welfare in the U.S., 1950-1990). After rising by 42% between 1950 and 1976, the ISEW fell 14% between 1977 and 1990. (Data from Herman E. Daly, John B. Cobb and Clifford W. Cobb)

In the ten years since the end of the Soviet Union, we have witnessed the move from geo-political to geo-economic regions in the world and 1992 brought the passage of the latest round of the GATT (General Agreement of Tariffs and Trade) in association with the WTO (World Trade Organization). For multinational business, the GATT was a crucial step in the domination of the world's markets and an attempt to establish a business environment outside the confines of government interventions.

"In a sense, the eighth GATT round is the last and most important goal of hyper-industrialization, as it permanently eliminates local or regional restrictions on corporate behavior. In most cases, it eliminates export controls as well. A government trying to conserve scarce resources by restricting their export will violate GATT. Conservation measures such as British Columbia's tree-planting program are being claimed as 'unfair' subsidy to Canadian timber companies. Denmark's attempt to require that all beverages be sold in returnable containers was struck down by the European Community because it inhibited free movement of goods. Undeveloped countries will be forced to open their borders to transnational, providing cheaper food to their people in some case, but potentially bankrupting local farmers and worsening urban slums as well."¹⁰

Part 3: The Ethical Dimension

Case Studies:

Below are two articles that demonstrate the dilemmas we are facing pertaining to global business. The first case is from Richard Heinberg's book, Cloning The Buddha The

Moral Impact of Biotechnology. Within this article, Mr. Heinberg cites, The Edmonds Institute, The New Internationalist, and the Monsanto website <www.monsanto.com> and Pilot Software, among others. The second case is a news article published in October of 1999 in the PR Newswire. (See additional citations at the endnotes.)

"Monsanto: Betting the Farm on Biotech

The manner in which 'pure science' is being driven by commercial priorities in the evolution of biotechnology is perhaps best illustrated by examining how a single company--Monsanto Corporation--has become a major player in the world market for genetically modified products.

Founded in 1901 and based in St. Louis, Missouri, Monsanto is today a \$9 billion-per-year business with a corporate presence in 130 countries. From its inception, Monsanto specialized in developing new chemicals and materials, including nylon and acrylic fibers, water treatment chemicals, fire retardants, coatings and adhesives, and aviation hydraulic fluids. During the Vietnam War era, the company developed and produced Agent Orange, as well as a substantial portion of the world's polychlorinated biphenyls (PCBs) a group of chemicals eventually found to be so hazardous that the U.S. Congress banned their production in 1976. Monsanto researchers later developed Roundup, the world's best-selling herbicide (which today accounts for 15% of the company's sales and 40% of its operating profit), and NutraSweet, used in thousands of food and beverage products worldwide for 'better taste and fewer calories' (with about \$800 million in yearly sales).

The downside to Monsanto's success in commercial chemistry was that the company acquired a reputation as one of the worst U.S. industrial polluters. In 1992 Monsanto's products and manufacturing processes were responsible for about 5 percent of the 5.7 billion pounds of toxic chemicals pumped into the U. S. environment. With public opposition to pollution mounting and government regulations tightening, company executives saw the writing on the wall, and in the early 1990's Monsanto decided to go green. 'Sustainability' and 'a healthy environment' became corporate slogans. At the heart of this new strategy lay biotechnology.

In 1996 Monsanto spun off its industrial chemicals division leaving its crop protection division as the core of a streamlined, retargeted enterprise. The company's new mission, according to Karl Sestak, assistant to Monsanto's Crop Division president, was '... to improve the world's capacity to produce high quality foods.' With a global human population approaching six billion and burgeoning environmental problems resulting from industrial farming practices, humanity needed to find new ways to feed itself in the coming century. Monsanto planned to lead the way with genetically tailored crops and environmentally friendly pesticides and herbicides. 'Sustainable agriculture,' its spokesman claimed, 'is only possible with biotechnology and imaginative chemistry.'

Monsanto began purchasing small biotech firms--Calgene, Agracetus, Biopol Business; it also bought seed companies--Cargill Hybrid Seeds (International division), Delta and Pine Land Company (Delta Pine), Holden Foundation Seeds, DeKalb Genetics, Asgrow, and Stoneville Pedigreed. According to Monsanto's Robert Farley, the object of all these acquisitions was 'not just a consolidation of seed companies...[but] a consolidation of the entire food chain.'

However, this ambitious program soon encountered a few potholes.

Monsanto's first biotech product on the market (in 1993) was a recombinant version of bovine growth hormone (rBGH, trademarked as Posilac), intended to increase milk production. Monsanto literature proclaimed that rBGH '...helps dairy cows produce milk more efficiently, without any loss in quality or natural wholesomeness.'

Critics first noted that there was no need for such a product: America was already glutted with milk and milk products, to the point that the federal government was paying dairy farmers not to produce more. They also pointed out that the U.S. Food and Drug Administration (FDA) regulators who approved Posilac were former Monsanto employees who then quit their government jobs and went back to work for Monsanto. Studies showed that cows treated with rBGH led shorter lives and had a greater tendency to develop mastitis (requiring the increased use of antibiotics, residues of which are passed through to the milk). Later studies also showed that rBGH-treated cows produced milk with elevated levels of the hormone insulin-like growth factor-1 (IGF-1), which has been associated with increased cancer rates in laboratory animals and humans. Public-interest groups demanded that milk from rBGH-treated cows be labeled as such, but the FDA, in a move that stunned pure-food activists, essentially banned 'rBGH-free' labeling. Michael Taylor, an attorney who worked for Monsanto both before and after his tenure as a FDA official, wrote the rule. Monsanto proceeded to bring lawsuits against two dairies that labeled their milk 'rBGH-free'.

Some Florida dairy herds grew sick shortly after starting rBGH treatment. One Florida farmer, Charles Knight, lost 75 percent of his herd and claimed that Monsanto, and Monsanto-funded researchers at the University of Florida, had withheld from him the information that other dairy herds were experiencing similar problems.

Knight spoke on camera to two award-winning television reporters from Fox network affiliate WTVT in Tampa, Steve Wilson and Jane Akre, hired by the station to produce a series on rBGH. Their series included interviews with scientists, farmers, Monsanto spokespeople, and government officials. But before the report could air, Monsanto lawyers sent two letters to the station suggesting that Monsanto would suffer 'enormous damage' if the series ran and warning of 'dire consequences' for Fox if it were not canceled. Fox lawyers tried to water down the series, they then offered to pay the reporters to leave their jobs and keep quiet. Wilson and Akre refused, and on April 2, 1998, they filed a lawsuit against WTVT claiming that the station violated its broadcast license by demanding that they include known falsehoods (exonerating Monsanto and rBGH) in their story.

Even before the WTVT incident, Posilac had become a public-relations nightmare for Monsanto. Due to farmer and consumer opposition, farmers only injected the hormone into 4 percent of America's dairy cows. In 1996, Wall Street analysts told Business Week magazine the product was a commercial failure and should be "taken off the market". As of this writing [1999], Monsanto continues to promote Posilac."¹¹

"When These Money Managers Make a Killing in the Stock Market, It's not at the Expense of an Entire Species,' Says Hard-Hitting IFAW Ad Against Mitsubishi.

Fifteen of the world's top mutual funds and asset managers have joined together to announce that they will not do business with corporate giant Mitsubishi. In a hard-hitting ad campaign, launched today in the New

York Times and Wall Street Journal by the International Fund for Animal Welfare (www.savebajawhales.com), these financial heavyweights say, 'Mitsubishi's poor environmental record is not a sound investment.'

The campaign is supported by Calvert Group, Citizens Funds, Crown Futures, Domini Social Investments, Everest Asset Management, First Affirmative Financial Network, Green Century Fund, Miller Howard Investments, MMA Praxis, Parnassus, Pax World Fund, Prentiss Smith & Co., Trillium Asset Management, Walden Asset Management and Winslow Management --- totaling an unprecedented \$14 billion in successful environmentally sound investment funds.

The ad campaign targets Mitsubishi and its plans to build the world's largest industrial salt factory at Laguna San Ignacio, Baja California, Mexico. This unique habitat is the last pristine breeding grounds of the Pacific gray whale. Mitsubishi plans to destroy 116 square miles - permanently altering the delicate ecosystem and harming animals and plants found nowhere else on earth. World scientific consensus and public opinion are against the project. The Mexican government has already rejected the project once, but Mitsubishi continues to support this environmentally unsound project.

'This kind of behavior on Mitsubishi's part harks back to the era of the corporate robber barons, said Delcy Steffy, Director of Social & Environmental Research with Miller/Howard Investments. 'We're now in an era that recognizes a corporation's responsibilities to its environmental and social context,' emphasized Steffy. "At Miller/Howard we avoid investing in companies that have a history of behavior that is detrimental to the health of the planet; companies that are unresponsive to shareholders and other constituents. Surely Mitsubishi can find an alternative way to do business.'

Citizens Fund, America's largest family of socially responsible no-load mutual funds, has also joined the campaign. 'At Citizens Funds, we invest only in companies with high standards of corporate responsibility, which include companies that embrace protection of the environment,' said Citizens Fund President & CEO John Shields. 'We support IFAW's efforts to hold Mitsubishi accountable as a world citizen and stop their efforts to build a salt factory near the last pristine Pacific gray whale nursery in the world,' Shields stated.

According to Jared Blumenfeld, IFAW's Director of Habitat, 'This \$14 billion in monies not being invested in Mitsubishi should send a wake up call to the corporate giant.' Blumenfeld added 'Mitsubishi has a choice to make-- they can become a responsible corporate citizen or they can enter the next millennium as an environmental outlaw.'

This ad campaign against Mitsubishi, comes in the wake of a high-profile divestment campaign launched in California on September 27th, when the San Francisco Board of Supervisors voted 9-0 in support of a resolution not to do business with Mitsubishi or any of its subsidiaries. Similar resolutions are being voted on in Los Angeles and Sacramento, and have received strong support from government officials."¹²

So What Now?

Caught between the need for growth and the need for conservation and restoration,

we must look around us and see that we need both. "Too often the questions are framed in either-or terms: 'Trees or jobs?' or 'Owls or people?' Instead we really need to ask, 'How can we have trees and jobs?', 'How can we save the owls and the forests without putting people out of work?', and 'What happens to the jobs after all the trees are cut?'"¹³

In answering these questions, we will find many of our solutions. Both attitudes and actions will have to change. We have talked about some of the solutions as we listed the problems. Business must change to full cost accounting so that we can establish a true value on our resources, and place that value into the price, in the words of Clifford Cobb and Jonathan Rowe, "Most importantly, we should stop giving away the air and water as a dump for toxic waste. You do not have to think like an economist, and believe there is a 'correct price' for poisoning the nest, to agree that people should accept the consequences of their actions, and that the price system is one way to accomplish this. Polluters should pay, just as they would for dumping trash at a landfill. Levied as a tax on say, energy use, such fees would help cut pollution in the most efficient way--by giving companies a big cost reason to do so. It would nudge our economy in the direction the world is moving, toward leaner and cleaner modes of production."¹⁴

Six rules for sustainable business:

"Replace nationally and internationally produced items with products created locally and regionally.

Take responsibility for the effects they have on the natural world.

Do not require exotic sources of capital in order to develop and grow.

Engage in production processes that are humane, worthy, dignified and intrinsically satisfying.

Create objects of durability and long-term utility whose ultimate use or disposition will not be harmful to future generations.

Change consumers through education."¹⁵

"In some countries, the very nature of a 'product' is challenged. The Swiss and Germans are pioneering 'product-life extension' industrial policies, in which the use of a product is sold, rather than the product itself. A company gets its profits from continuing stewardship of the things they make and through service to the user. Agfa-Gevaert has adopted this approach with its copiers; the German auto makers are moving in this direction. The products are designed to last, to be maintained, improved, and disassembled for reuse rather than bought and dumped. Business itself can then de-materialize into more and more service functions, giving further hope that 'industry' and 'ecology' might co-exist after all."¹⁶

Hawken compares the concept of road building in the U. S. and Western Europe. In the U.S. model, the job usually goes to the lowest bidder, using the lowest grade of materials and working to the minimum standards to pass the government inspections. When the surfaces wear out, the bidding process begins all over again with each company involved in

the process cutting costs to increase profits.

However, in the European model, the company not only builds the roads but also maintains the road, which demands that the contractor have a long-term investment in the building of the road. A job initially done poorly will result in more investment and less profit. It pays the company to use quality materials that last and to do the job right the first time, and because it is in the best interest of the company, the roads are usually done right the first time. This is sustainability.

Case Study:

The article below gives us an example of what can transpire when a company becomes restorative. Ray Anderson heads up such a company. He is also Co-chair of the President's Council of Sustainable Development.

"Entrepreneur preaches gospel of conservation:

As companies embrace the concept of corporate environmentalism, one man is leading the pack and proving that environmental and economic sustainability go hand in hand. Ray Anderson, chairman and CEO of Atlanta-based Interface Inc., charted a new course for his international carpet company four years ago. Eliminating waste, using alternative energy and cutting out harmful emissions were among the things he envisioned, and is still striving for.

So far, his plan has been better for the environment as well as his 25-year-old company's bottom line. Colorado businesses can benefit from Anderson's experience when he comes to the Brown Palace Hotel in Denver May 12 [1998]. He will be the keynote speaker at the Denver Metro Chamber of Commerce's Corporate Sustainable Development luncheon, and will meet with business people at a workshop co-sponsored by several environmental business organizations.

His hope in speaking to other companies is that people will 'look at their business a little bit differently and look at the world a little bit differently,' Anderson said. 'I'll tell our story to anybody who'll listen,' his voice marked by a Southern accent. 'They can draw their own conclusions about whether its something they will do or not do.'

I do hope in hearing the chairman and CEO of a company that is succeeding at this business, on the front of doing good and on the front of doing well in an interconnected way, that it would maybe open the eyes of other CEOs,' he added.

Anderson downplays the fact that Interface's sustainable business practices are also reaping the company the biggest profit margin in its history. Instead, sounding more like a member of Greenpeace than a CEO, he said his focus is on the responsibility of business to 'do the right thing. That is the only place to start for fundamental change', he added.

'Business ought to be leading the change,' Anderson said. 'It's good business to respect the earth - it's the only way to do good business.'

Anderson adopted this philosophy after reading Paul Hawken's book, The Ecology of Commerce, in 1994. Hitting him like a 'spear in the

chest,' Anderson realized his company was destroying the planet for his grandchildren and future generations. He immediately embarked on a quest for sustainability.

In three years, the company has saved \$43 million by eliminating waste. That savings is helping to pay for the rest of the company's efforts. For example, Interface is closing the recycling loop by switching from virgin polyester fiber to recycled fiber made from PET soda bottles. In a new system of leasing its carpet tiles instead of selling them, Interface replaces only the worn tiles and claims cradle-to-grave responsibility for its product. It closes the loop by keeping the used carpet out of landfills, taking it back and recycling it.

Laura Belsten, a consultant who co-chairs the Denver Metro Chamber of Commerce's environmental committee, said the chamber is trying to open a dialogue on these kinds of sustainable development efforts. Bringing Anderson to Denver is one of the best ways to do that, she said. 'He's on the leading edge... He has emerged as one of the leading corporate spokespeople for this whole notion of sustainable development and how it is applied in the private sector.'

Belsten said sustainable development is a new concept, and the workshop is designed to present some new ways of thinking. Anderson, as well as local businesses that are moving in the direction of sustainable development, will be on hand to help companies realize what opportunities they may have.

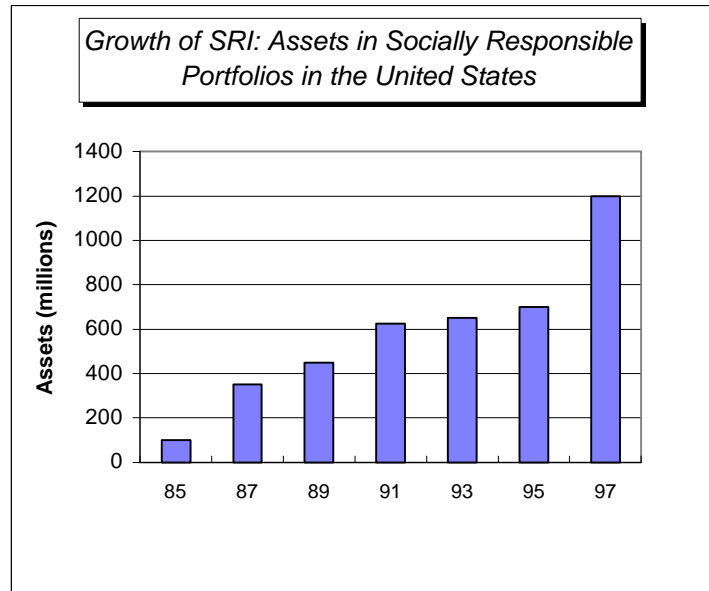
'I would suspect that a lot of companies are moving in this direction' Belsten said of sustainable development. They are just not calling it that. Some companies will realize they have been involved in sustainable development, others will learn about what sustainable development is and can be. Anderson hopes his message can help anyone who wants it.

'I just want to show them a model that's working successfully and invite them to learn from our experience,' Anderson said. 'I'm not out drumming up business. There just might be a better way, and it's a way that respects the earth and future generations.'¹⁷

Part 4: How Can We Become Socially Responsible in Our Investing?

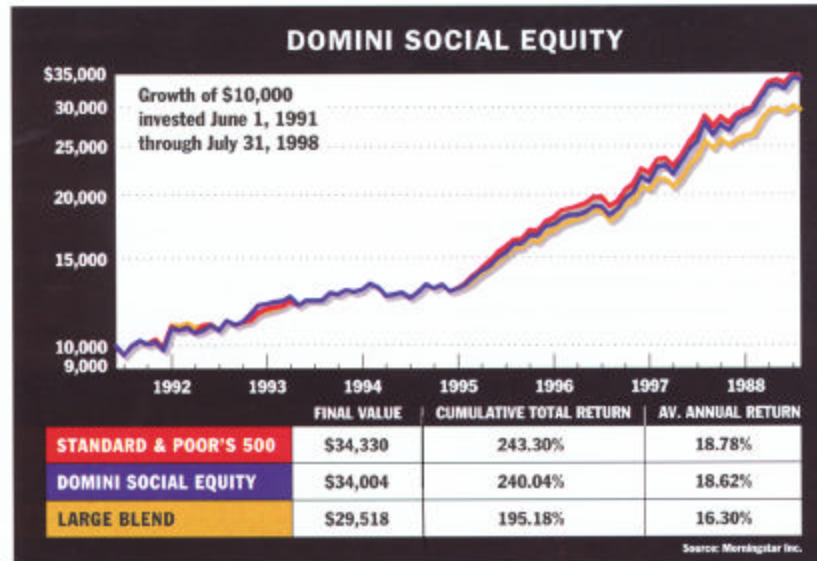
The first thing is to know that one person **can** make a difference, then know that **you are not alone**. The movement to socially responsible investing began in the 1970's and continued through the 1980's. The anti-apartheid movement was a financial strategy begun by student protests. This movement resulted in a majority of U.S. companies pulling out of South Africa, and eventually a change of political leadership and social reform. It began with socially responsible screening and investing.

In the 1990's, SRI has seen a wave of growth as people **are** putting their money where their mouths are. The chart below shows just how fast this movement has taken off.



Next, keep in mind that the *real* purpose of production and consumption should be to increase human welfare. We also need to keep in mind that when we buy stock in a company, we become an owner of that company. As an owner--even a small owner--we have opportunities and also obligations or responsibilities to ourselves and to the company. If we own stock in a company that is behaving in ways that makes us cringe when we hear the report, perhaps we should consider *not owning* that company.

"It is true that Natural Investors™ voluntarily limit their choices, *but this has not led to any systematic underperformance* in the universe of stocks typically chosen by Natural Investors. In fact, solid statistical evidence shows that investments chosen with social, environmental, or ethical criteria perform *as well as or better than* those chosen with financial criteria alone. In 1990, the Domini 400 Social Index was launched; it includes socially screened companies in a similar ranger of sizes and industries as the unscreened Standard and Poor's 500. From its inception in 1990 through December 31, 1998, the Domini 400 has outpaced the S&P 500 with a total return of 442 percent compared with the S&P's 366 percent."¹⁸



We need to look to transformational leaders within the companies who are looking to change the status quo, and willing to take a stand and make a commitment. In our case studies we looked at two global giants, companies that seemingly operate outside the "rules". However, there are many, many, companies that have a different attitude; companies that exhibit an openness to reform and a desire to work to restore the welfare of the planet and its people.

There are three basic techniques for the socially responsible investor:

- 1) Screening
- 2) Community Investments
- 3) Shareholder Advocacy

Screening

The first category--screening--may be broken down into two groups, either positive or negative screens.

A positive screen is one seeking to include companies that are in sync with your personal values. For instance:

- ◆ They have good labor relations, effective equal opportunity for women and minorities, management and employee diversity, employment practices, employee stock purchasing plan/profit sharing, worker health and safety, employee and family benefits, education and training programs, health care, child care, elderly care
- ◆ They have good customer relations, corporate openness and citizenship, community development and involvement, charitable giving, product safety and quality, human rights record, code of conduct for suppliers
- ◆ They have a good environmental record, CERES Principals signatory

(environmental standards), pollution prevention measures, conservation, renewable energy resources, recycling programs, natural and sustainable farming and food production

The other screen is to avoid or seek to exclude companies from your portfolio based on social or environmental criteria. Does the company deal in products or is their corporate values and behavior one that you could endorse? For instance:

- ◆ Do they have discriminatory labor and employment practices
- ◆ Do they have excessive compensation to the CEO or board members
- ◆ Do they have a poor environmental record or EPA violations for air water or land pollution, nuclear power, nuclear or biological weapons, hazardous waste, or agricultural chemicals manufacture exporting
- ◆ Do they have human rights violations
- ◆ Do they deal with repressive governments
- ◆ Do they deal in weapons, tobacco, gambling, and or animal testing

Community Investing

The second category, community investing, is a powerful and affirmative way of putting your money to work to support your values. This choice lets your money work in the community by investing in community based financial institutions, banks and credit unions that offer programs designed specifically to help people who would not have access to conventional avenues of gaining capital --it is investing in people who will make the community a better place to live.

Often community banks are committed to specific areas of need, for instance, a focus on low-income housing, or minority-owned business.

This concept has been expanded in recent years to include micro credit banking both in America and in developing countries. "Evidence from around the world has demonstrated that with small loans, business training, and peer support, micro-entrepreneurs can create personal and economic success for themselves, their children and their communities. With affordable credit have come savings opportunities, the development of leadership skills (especially among women), and many other social benefits. Children tend to stay in school longer, while communities report more balanced gender roles, individual empowerment, and a restored sense of hope".¹⁹

The first of these banks, The Grameen Bank of Bangladesh began in 1974 and is such a success that now there are 1100 branches throughout the country. This bank began when the founder, Muhammad Yunus, made a very small personal loan to a hardworking craftsman and saw the amazing result of that investment. That act has led to a worldwide movement in community investment.

Shareholder Advocacy

The final form of socially responsible investing is by shareholder advocacy. This is aimed at influencing company behavior, policies and practices from the inside. As shareholders we are part owners of the company--and as such we have a responsibility to all of the stakeholders to make sure that the company is not only financially responsible and viable, but also responsible in all of its practices. This would include having dialogues with management on issues of all stakeholders and by voting proxy resolutions. Activism from within can be an effective way to change.

If the task of looking at and investigating individual stocks seems daunting, many mutual funds have established reliable screens and already have lists of companies that have passed their criteria. We have included a list of these funds at the end of the report.

Part 5 Conclusion

The world needs us to be mindful of our connections with the earth and all of its inhabitants. We are not separate. We cannot discard one element of the world without touching another element. Instead, we are woven together intricately into this cloth called Planet Earth. Through knowledge and evaluation you can make choices that will make a positive difference in the world by supporting companies that have a desire to lead us into the future with restorative practices. As we vote with our dollars, business **will** change; and that means that our environment will change, our communities will change, and we will change. In the end, you will have the satisfaction of knowing that you have contributed to the well being of the inhabitants of the world.

*Consider this...

- ◆ The United States produces about 25% of the world's pollution.
- ◆ The United States uses about 25% of the world's minerals and nonrenewable energy.
- ◆ In the U.S., each person adds an average of 18.4 tons of CO₂ to the atmosphere each year, six times more than the average citizen of a developing country.
- ◆ The U. S. has 4.6% of the people of the world and 35% of the cars and trucks.
- ◆ 50% of the air pollution in the U.S. is produced by motor vehicles.
- ◆ In the U.S. 50% of the urban land is devoted to roads and parking.
- ◆ If all of the ozone depleting substances were banned now, it would take 50 years to return to the ozone levels of 1985.
- ◆ In the U.S. we waste about 84% of our commercial energy.
- ◆ In the U.S. 93% of our commercial energy comes from nonrenewable resources; 85% from fossil fuels and 8% from nuclear power.
- ◆ If the world got serious about improving energy efficiency we could save about \$1 trillion per year; at least \$400 billion in the United States.
- ◆ American consumers throw away enough aluminum to rebuild the country's commercial airline fleet every 3 months.
- ◆ Americans throw away about 250 million tires each year; enough to encircle the globe three times.
- ◆ The U.S. spends 1% of its environmental budget on pollution prevention; 99% is spent on pollution cleanup.
- ◆ In the U.S. only about 5% of the money spent on health care is spent on prevention.
- ◆ Of the 72,000 chemicals in commercial use only about 10% have been screened for toxicity-- essentially none have been screened for damage to the nervous, endocrine or immune systems.
- ◆ About 99.5 percent of commercially used chemicals **are not** regulated by either state or federal governments.
- ◆ Each year 50, 000 to 70,000 U. S. workers die prematurely as a result from exposure to toxic substances.

- ◆ 99.9 percent of North America's original stands of temperate deciduous forests have been cleared.
- ◆ Worldwide, only one tree is planted for each tree that is cut.
- ◆ Less than 5% of the world's remaining tropical forests are parts of parks or preserves.
- ◆ Only 1% of tropical forest trees have been studied for their possible use as human resources.
- ◆ Dioxins (among other hazardous chemicals) are a by-product of using chlorine to bleach wood pulp during the manufacturing process of paper. The sole purpose of the bleaching and rebleaching process is to whiten the paper.
- ◆ More than half of the world's cropland (19% in the U.S.) is used to produce livestock feed grain (mostly field corn, sorghum, and soybeans). Livestock consume about 38% of the world's grain production (70% in the U.S.). Livestock use more than half the water withdrawn each year in the United States; most of this water irrigates crops fed to livestock or washes manure away.
- ◆ It takes only 11 years to add 1 billion people at the current growth rates.
- ◆ About 85% of the global income goes to the richest 20% of the world's people.
- ◆ About 1 billion people, almost one in six, attempt to survive on an annual income of about \$1 per day.
- ◆ Three to eight wild species are driven to extinction each *hour* by human activities.

*Facts for Consider This... from Living in the Environment by G. Tyler Miller

The Kerr Center for Sustainable Agriculture, Inc. is a nonprofit, 501(c)(3) organization supported by a private endowment, grants, and donations. The Kerr Center strives to find ways of sustaining our world rather than exhausting natural resources that are vital to future generations. The Kerr Center provides leadership, technical assistance, demonstrations, and education for farmers and ranchers seeking ecological and economical methods of producing food and fiber.

The Kerr Center seeks to influence and call to action our acquaintances by both example and education. The Center's Sustainable Rural Development and Public Policy Program was established in 1996. The program assists rural citizens and decision-makers by sharing information about building strong and sustainable communities and the consequences of proposed policies for rural communities and agriculture.

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