



Getting to the ‘So What?’

Session 5
Beyond ESG:
Systems Solutions for Sustainability

Duncan Austin
Convened by Thinking Ahead Institute
December 2022

Overview

- Following ***Beyond ESG: Systems Solutions for Sustainability*** series in Spring 2022, some outstanding questions:
 - What's the 'so what'?!
 - Why do we need costly regulatory and policy change?
 - Why must companies and businesses play a role in leading this?
- The argument:
 - An initially beneficial 'win-win' phase of sustainability is exhausted and now even being deliberately countered.
 - The key vulnerability is that 'win-win' is voluntary and piecemeal for which the remedy is universal, binding and – regrettably – costly policies.
 - 'Costs' are both in the form of directing capital to sustainable solutions that do not earn market returns (so who pays?) and in growth-challenging constraints on problem activities for which we do not yet have real solutions (so who absorbs the pain?).
 - Sustainability is a physical possibility but requires economic dislocations from where we are...
 - ... or we face the economic dislocations of climate change and ecological breakdown.
 - Continuing to pursue VML strategies runs a risk of diverting energy, attention and resources away from policy and cultural change and diffusing the urgency with which those are pursued.
 - Companies are highly political actors in all this, *even in their inaction* and could be critical 'swing voices' for sustainability.

Structure of Presentation

1. There is a 'Line'...
2. The Physical Nature of Environmental Sustainability
3. Economics and Finance Mask the Physics
4. Can we Make the Turn in Time?
5. Companies, Policy and Politics
6. Sustainability is a Moral Challenge



1. There is a 'Line'...

A distinct 'line' divides meta-strategies for sustainability

Voluntary Market-Led Sustainability

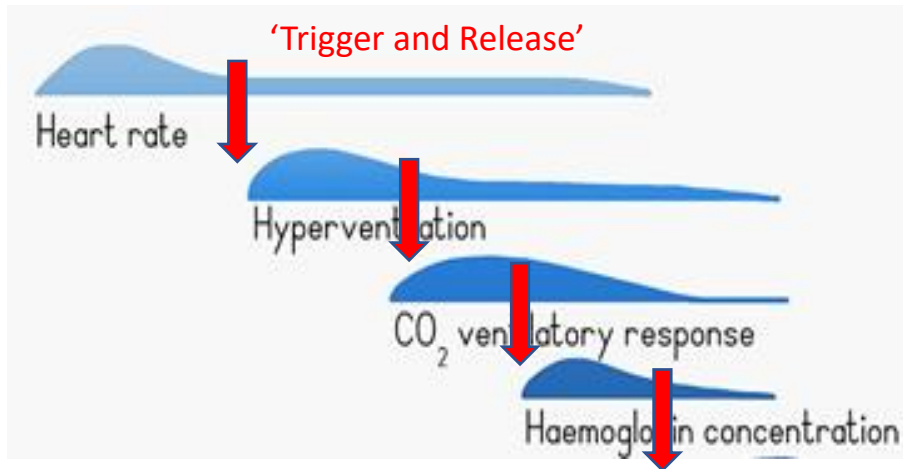
'Win-Win'

Mandatory and Costly Regulation

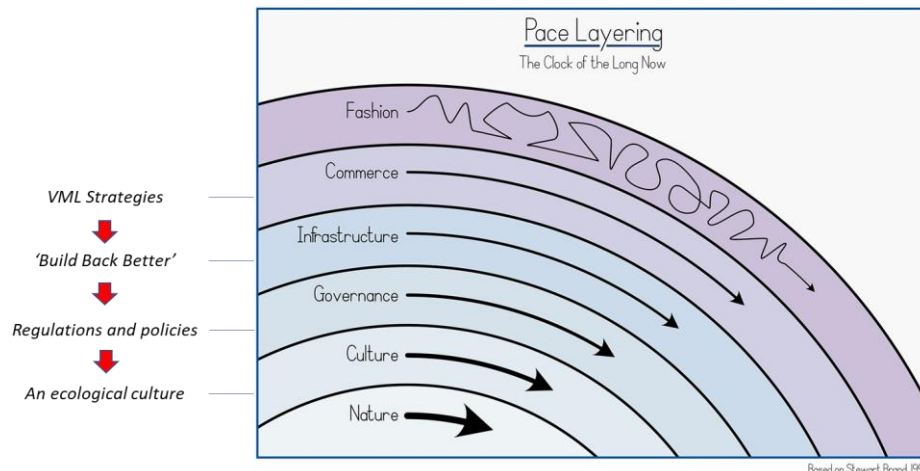
'Spend to win'
and
'Stop doing to win'

Is this the line that now separates
'sustainability' from 'unsustainability'?

Reminder: 'Trigger and release' dynamic is the crossing of 'lines'

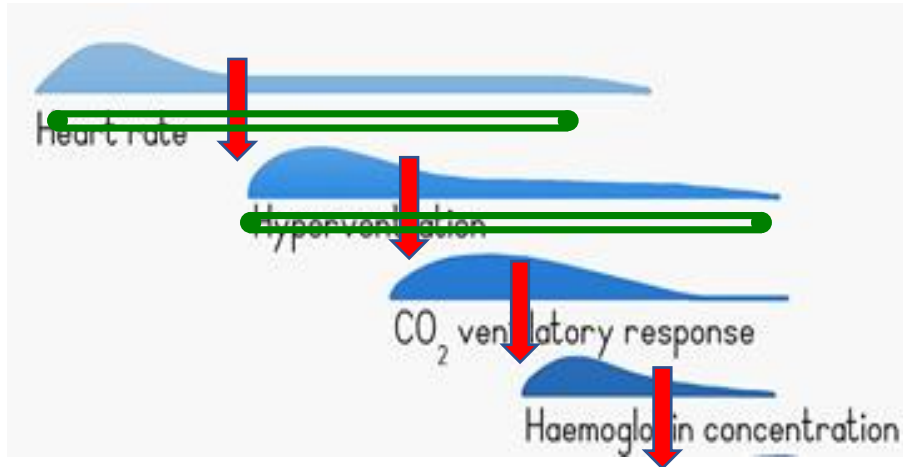


- Complex systems adapt by progressively calling on deeper, more global behavioural changes, as needed to survive. Response is characterized by 'step changes'.
- This leads to a cascading pattern – or 'trigger and release' pattern – in which deeper changes are summoned in turn, i.e. 'defence in depth'.
- Those deeper changes are necessarily more costly, effortful and disruptive because they were what the system was hoping to avoid in the first place!

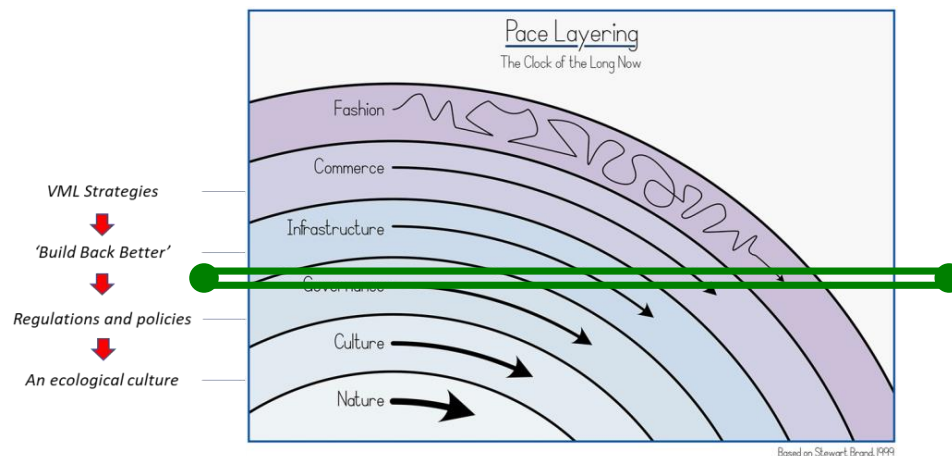


- In the human social system, 'deeper' changes equate to changes at lower 'governance' and 'cultural' levels.
- Changes at these levels have the power to change the space above in which 'commerce' and 'infrastructure' take place.
- As you go down 'market opportunity' becomes 'moral challenge'.
- Changes become difficult, unsafe, unpopular etc. precisely because prevailing norms and incentives are what must be changed.

Presentational dilemma: portray line as horizontal or vertical?



- Original presentation implicitly envisaged the line as horizontal.
- But helpful in this presentation to also use vertically...
- This is the line:

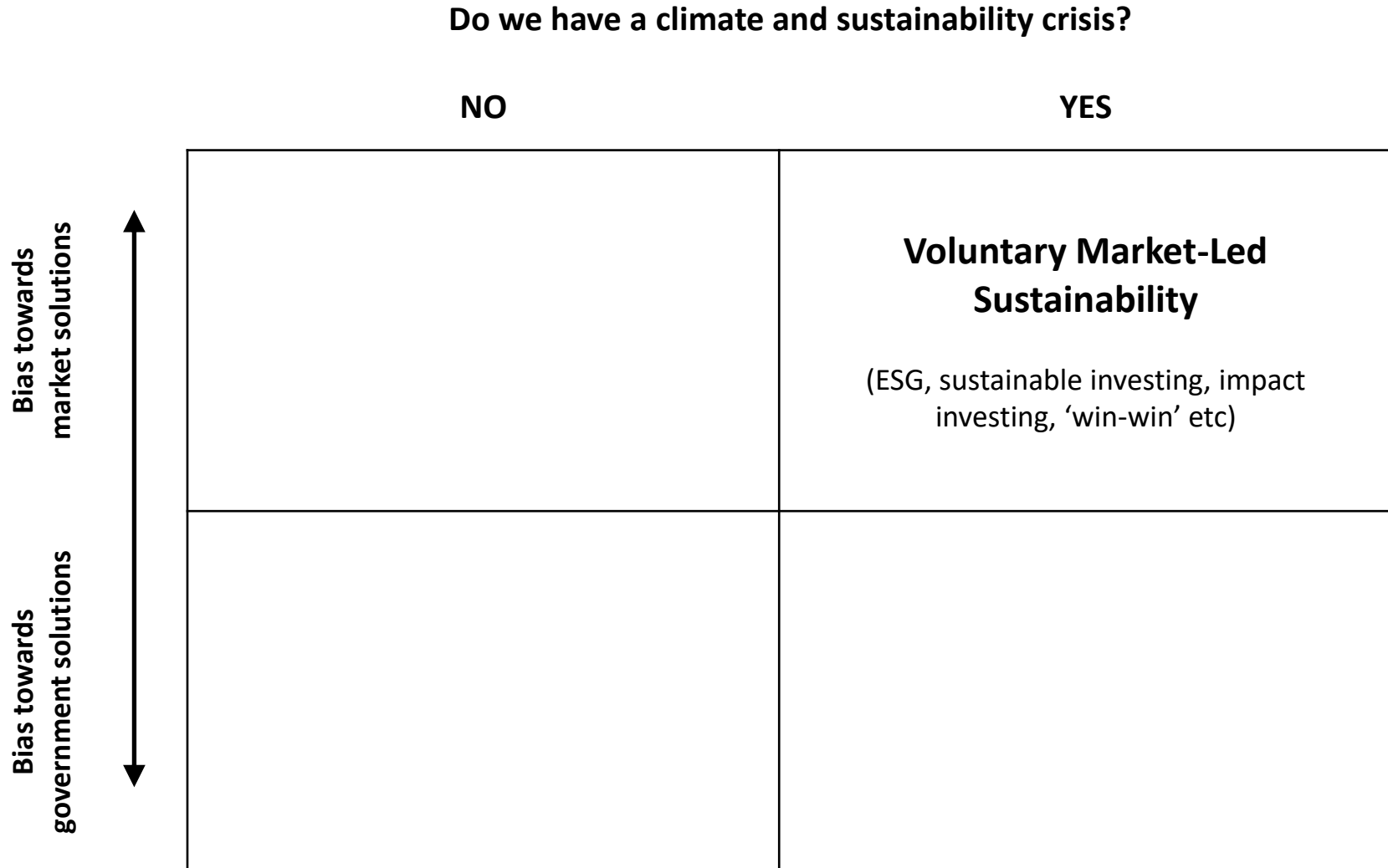


The 'line' separates strategies that share the same goal but contain tensions

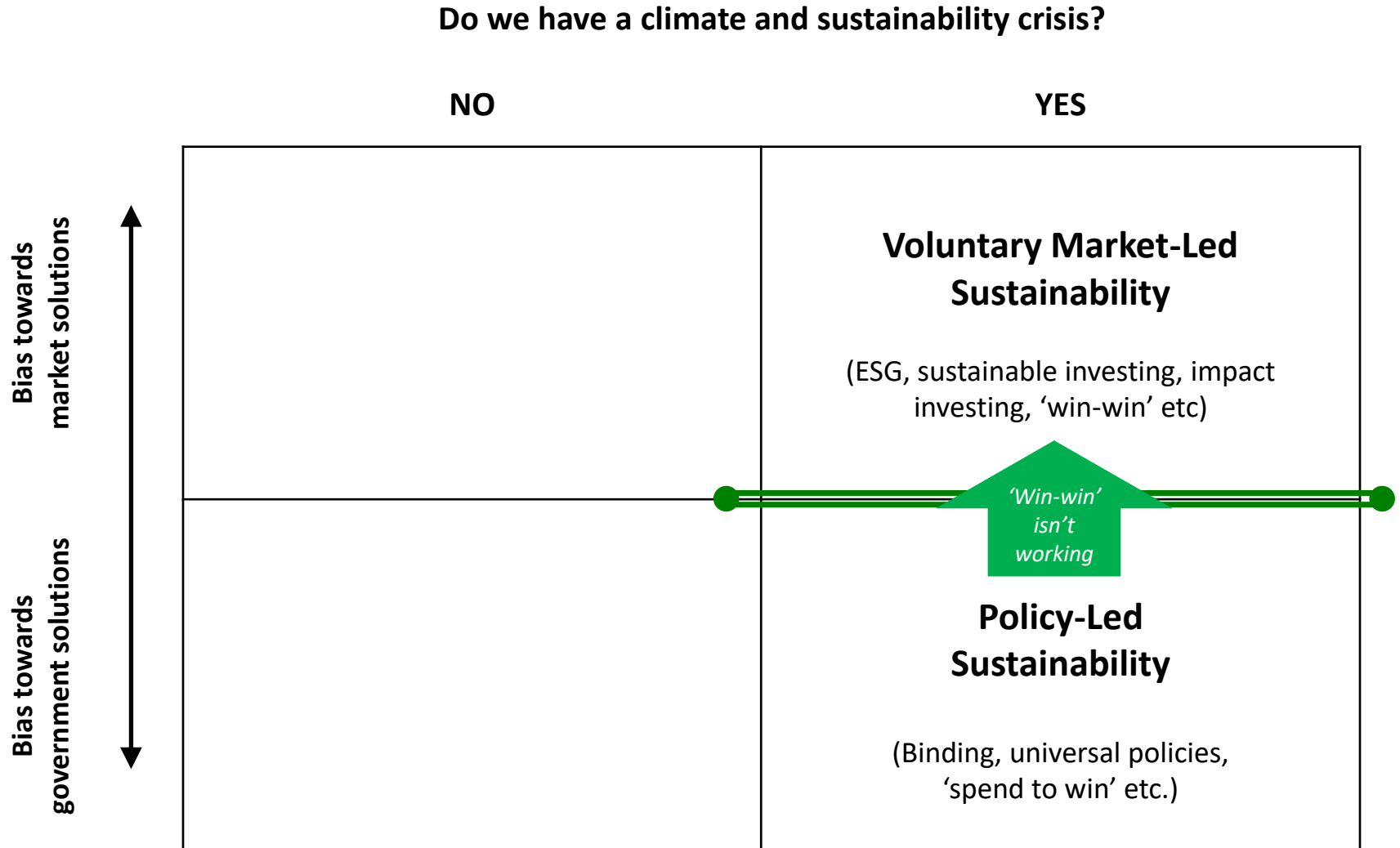
"Win-win"	"Spend to win" / "Stop doing to win"
Deemed 'practical'	Deemed 'less practical' or 'impractical'
Voluntary	Mandatory/binding
Piecemeal	Universal/whole system
Private actors as key instigators of change	Policy as key vehicle for change
Seeks to leverage a FOMO effect of competition for 'green alpha'	Tackles reality of 'free riding' as people compete to contribute least for a costly transition.
'Growth is the solution'	'Growth is part of the problem'
Profit- and growth-conforming strategies only	'Degrowth-for-a-while' or 'restructuring' paths
Minimal distribution issues	Major distributional issues
Denial of magnitude of problems?	Acceptance of magnitude of problems?

Is this the line that now separates 'sustainability' from 'unsustainability'?

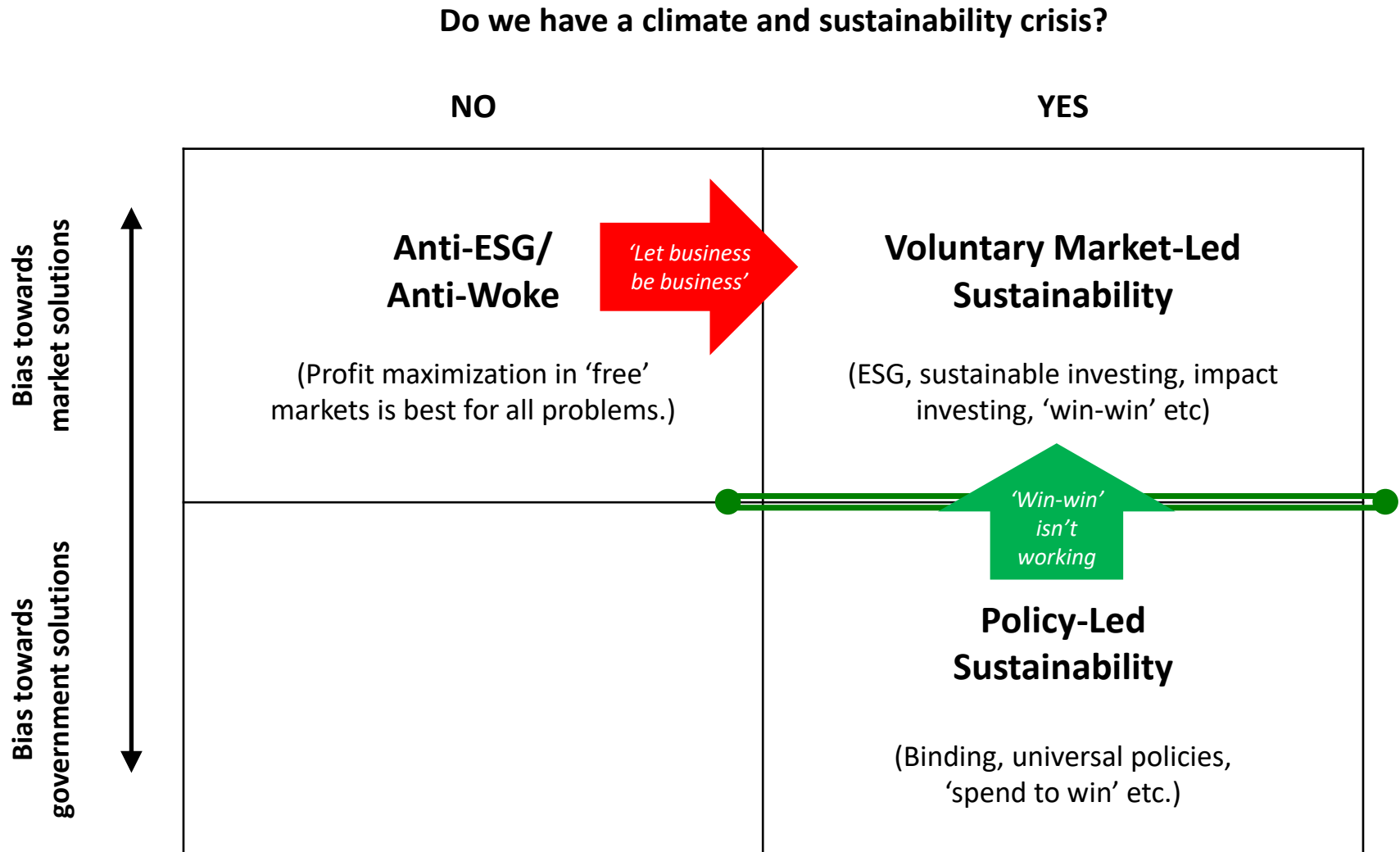
Confusing matters: VML strategies now challenged from two directions!



Confusing matters: VML strategies now challenged from two directions!



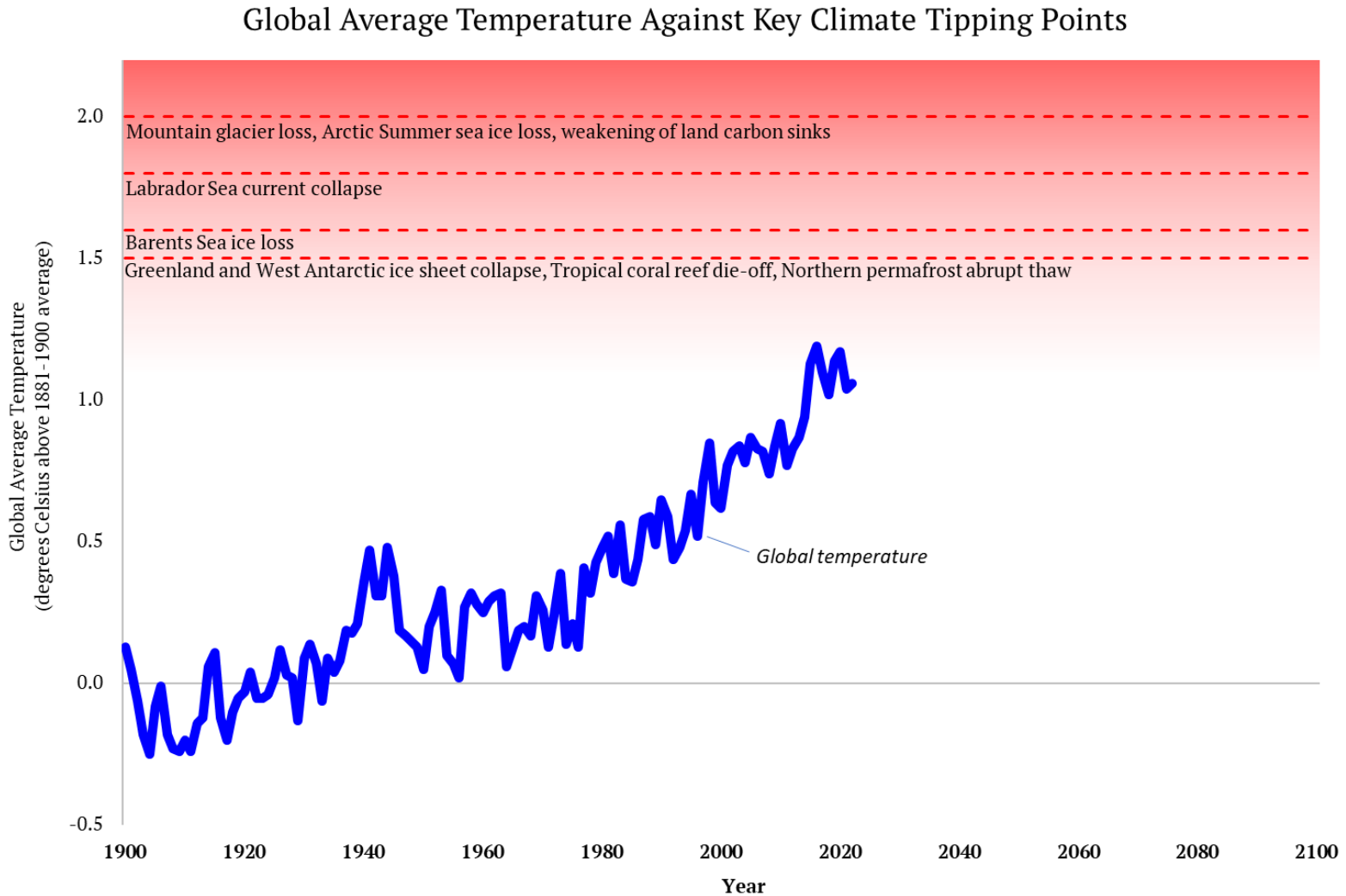
Confusing matters: VML strategies now challenged from two directions!



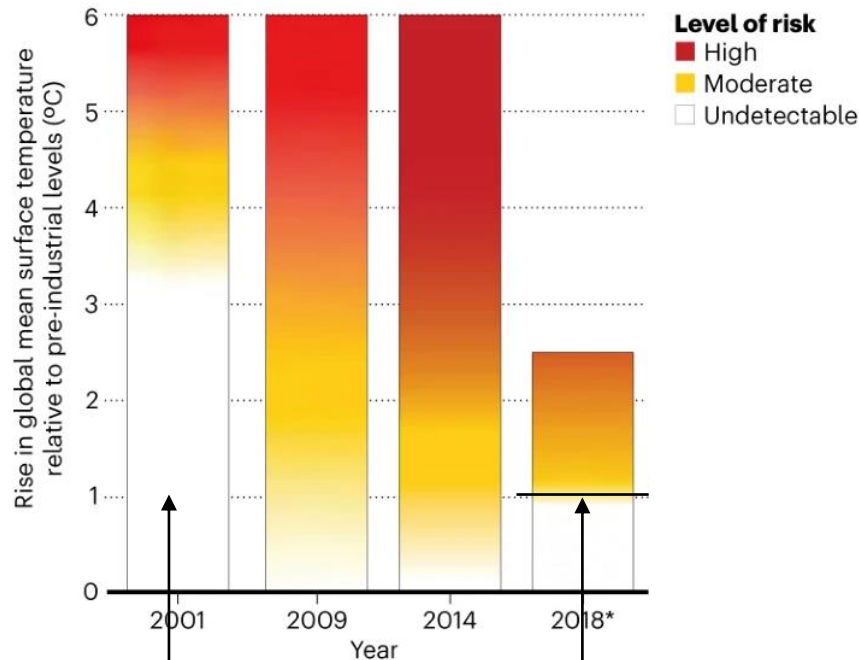


2. The Physical Nature of Environmental Sustainability

Global temperature continues to rise towards key 'tipping points'



Conservative IPCC process may have underemphasized tipping points



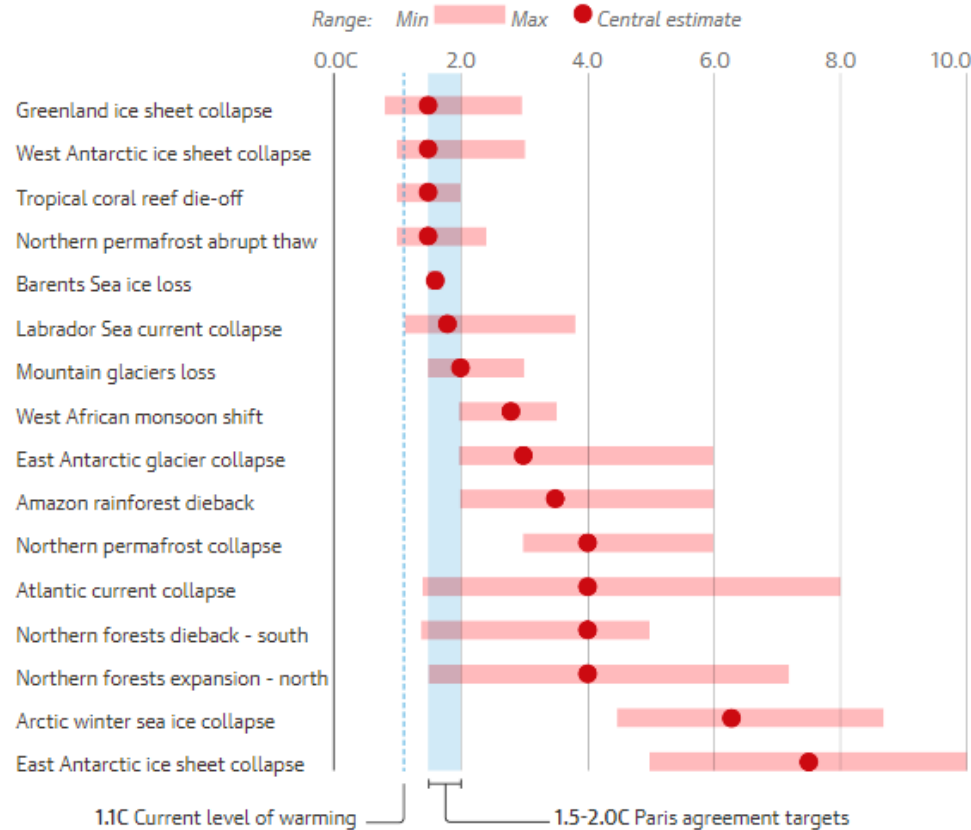
*The 2018 IPCC Special Report: *Global Warming of 1.5 °C* focuses on the temperature range up to 2.5 °C.

Compared to 2001 analysis, reports produced in 2018 (temperatures already at 1°C above pre-industrial levels) show moderate risk events are imminent.

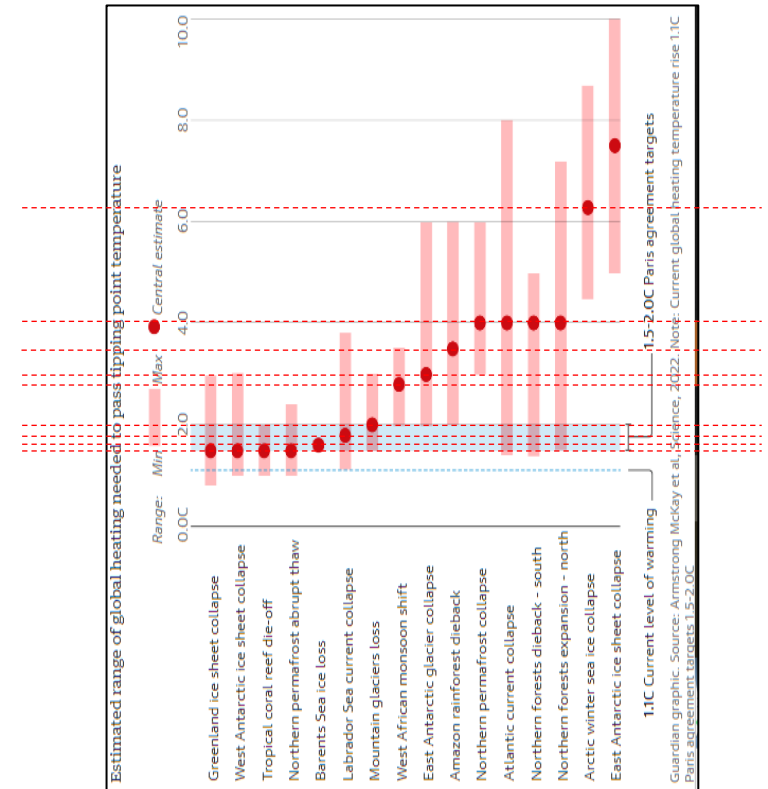
- It has taken time for a deliberative IPCC process to recognize and communicate the importance of ‘tipping points’ and their potentially high risk, irreversible consequences.
- Latest IPCC reports now indicate tipping points present higher risks at lower temperatures:
 - “The IPCC introduced the idea of tipping points two decades ago. At that time, these ‘large-scale discontinuities’ in the climate system were considered likely only if global warming exceeded 5 °C above pre-industrial levels. Information summarized in the two most recent IPCC Special Reports (2018 and 2019) suggests that tipping points could be exceeded even between 1 and 2 °C of warming.” (Lenton et al, 2019)

Key global 'tipping points' for climate change

Estimated range of global heating needed to pass tipping point temperature

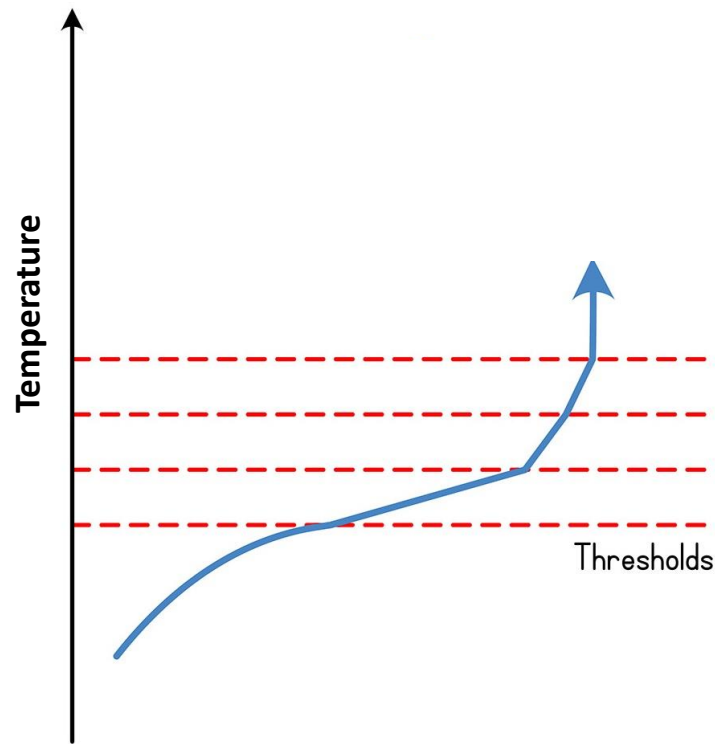


Guardian graphic. Source: Armstrong McKay et al, Science, 2022. Note: Current global heating temperature rise 1.1C
Paris agreement targets 1.5-2.0C



Armstrong McKay et al., 2022, Table S4 (tipping points).

Tipping points may accumulate into 'tipping cascades'



- Breaching a threshold (e.g. melting of Greenland ice sheet) may:
 - Be irreversible on human timescales AND
 - Accelerate warming towards the next threshold.
- “Particularly worrying is a ‘tipping cascade’ in which multiple tipping elements interact in such a way that tipping one threshold increases the likelihood of tipping another.” (Kemp et al, 2022)

“1.5°C is not a goal, it’s a limit”



Johan Rockström 
@jrockstrom

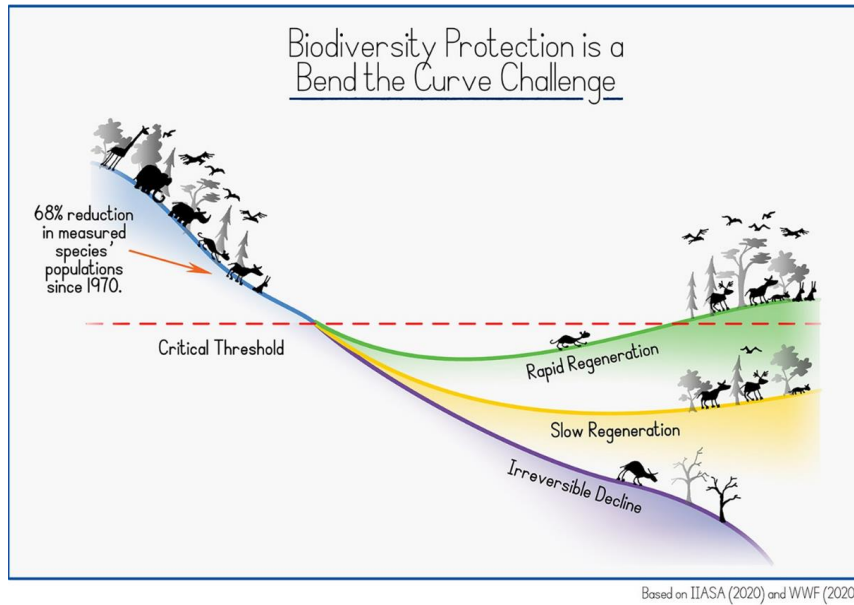


I just get tired...Tired of hearing that 1.5°C is a "target" or "goal". IT IS NOT. It is a limit. The only real goal is 0°C. And not bad 1.5°C, when we LIKELY tip GIS, WAIS, Tropical Coral Reefs and Abrupt Boreal Permafrost, and get more floods, droughts, heat, disease, storms.

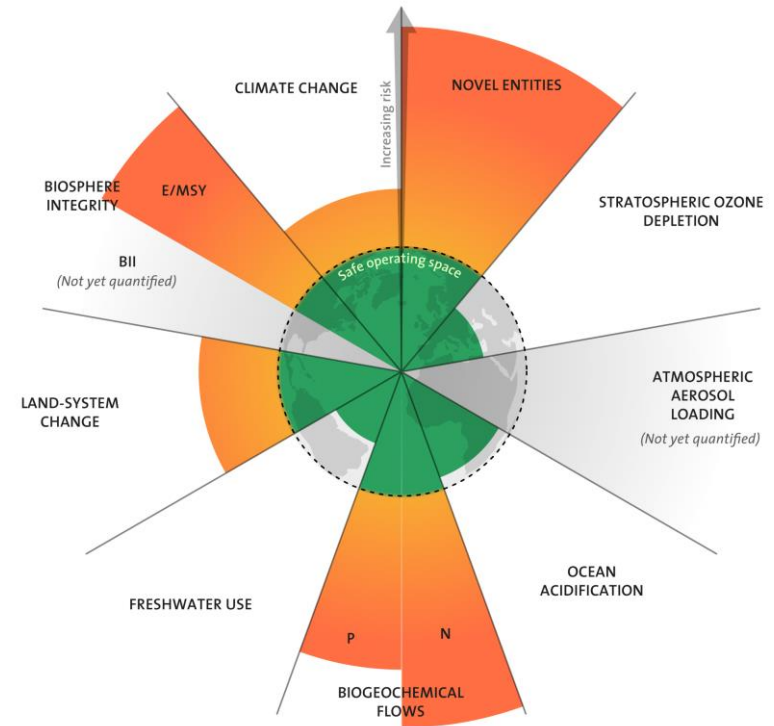
8:36 AM · Oct 25, 2022 · Twitter Web App

Johan Rockstrom is a Swedish scientist who has pioneered the work on planetary boundaries. This is his view of the science. The current political agreement, struck in the Paris Accords, is that 1.5°C and 2°C are goals.

Reminder: Ecological tipping points not confined to climate change



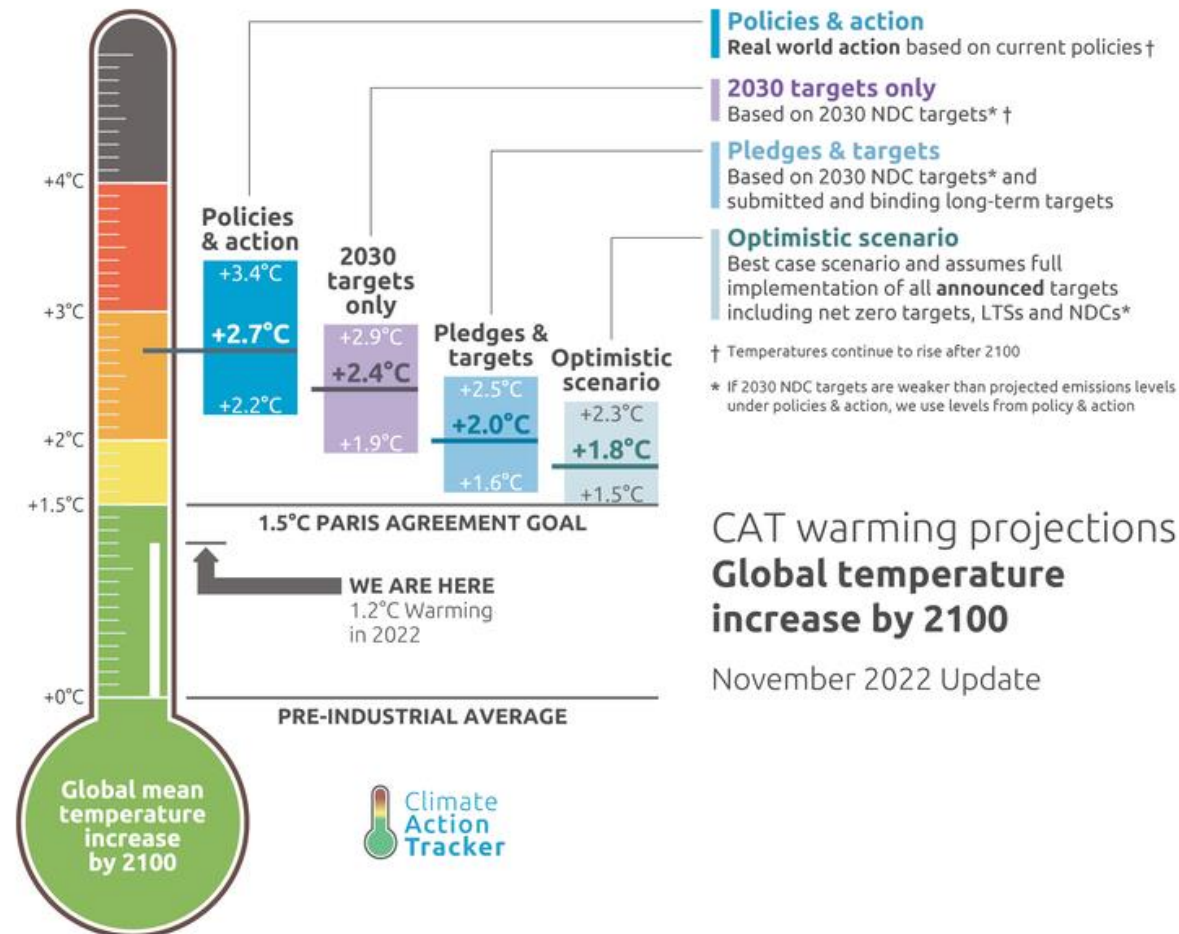
Biodiversity protection is a threshold problem, usually drawn the other way to climate as it is about keeping biodiversity above minimum sustainable population levels.



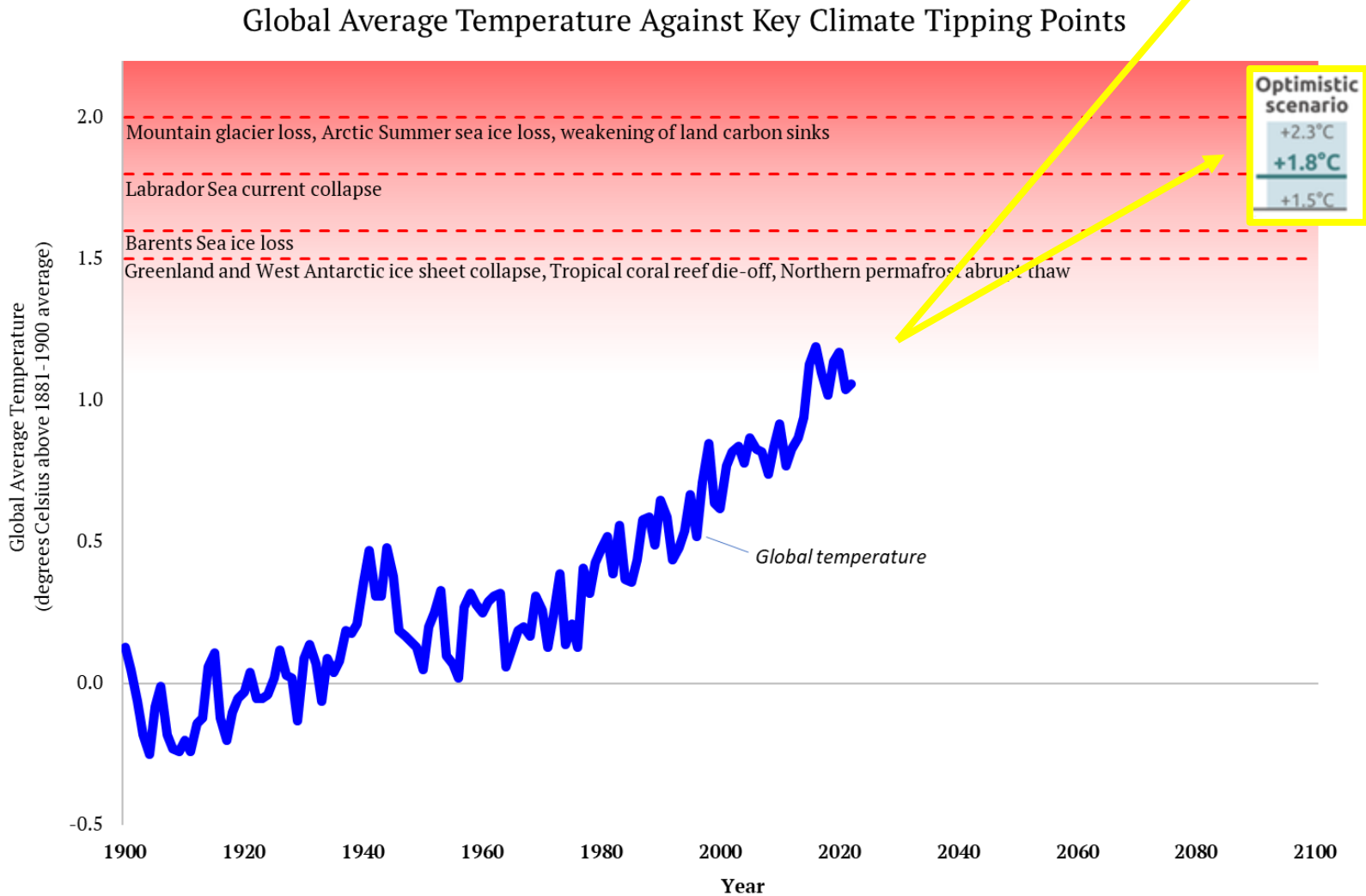
The 'planetary boundaries' concept of Stockholm Resilience Centre identifies 9 major ecological boundaries which we must live within or else risk 'pushing the Earth system into a new state'.

"Azote for Stockholm Resilience Centre, based on analysis in Wang-Erlandsson et al 2022".

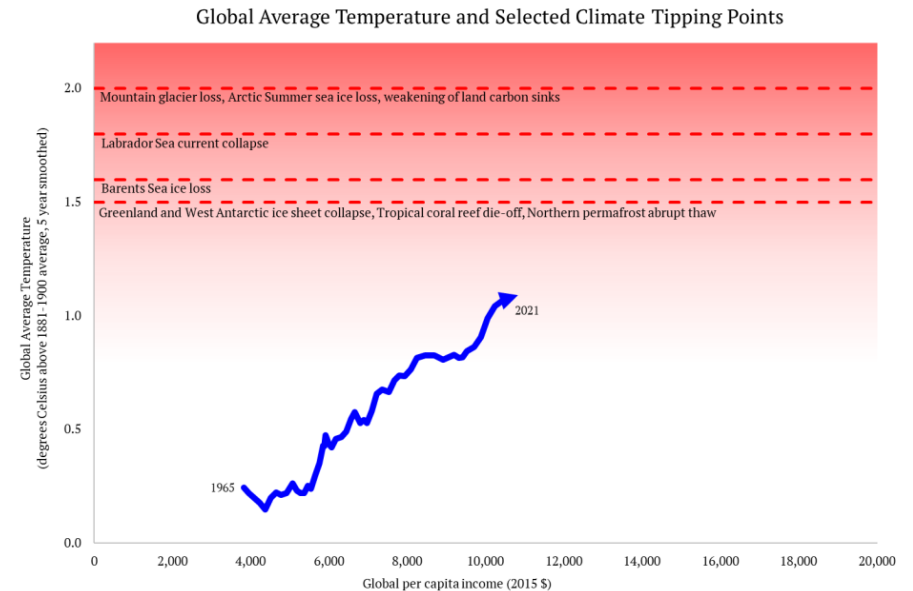
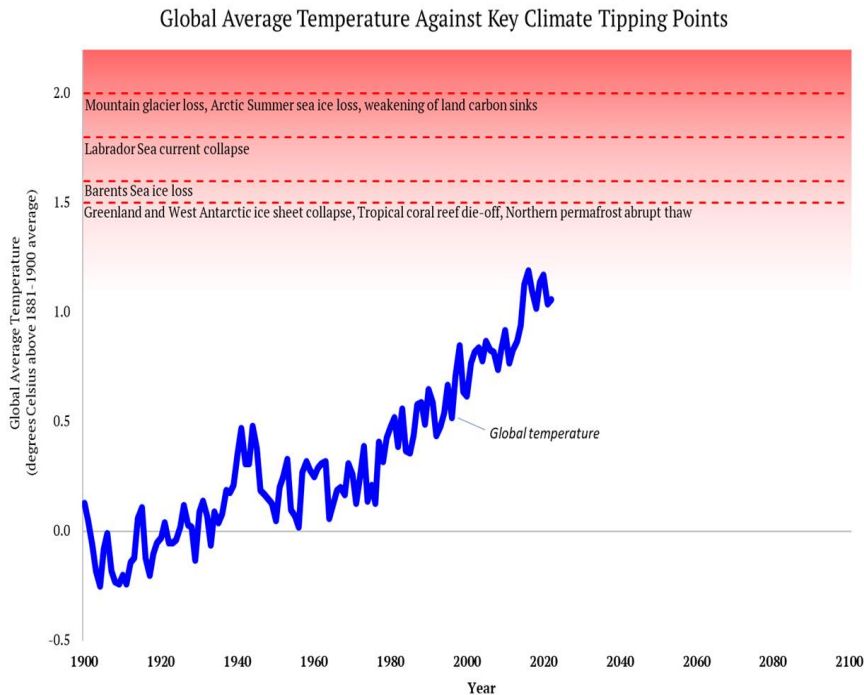
Latest take (December 2022) on trajectory: heading towards 1.5°C to 3.4°C



Crudely visualizing trajectories (anchored to mid points)



Axis change... Same vertical axis, but new horizontal axis



Time...



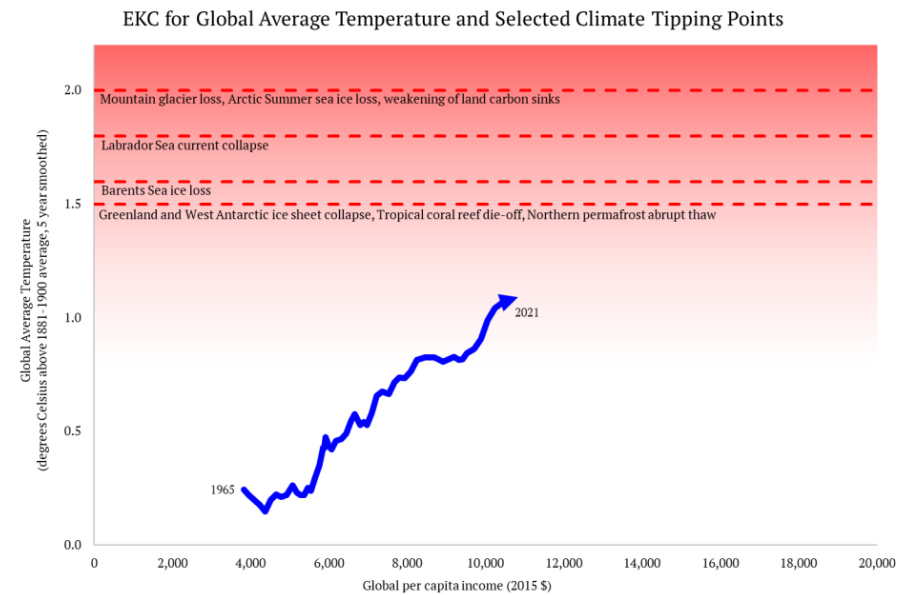
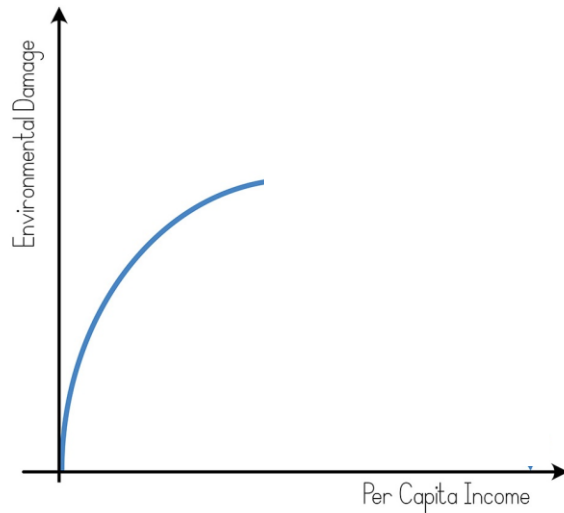
... Income or Economic Growth

Rising global temperatures occur over time, but the main causal driver is our efforts to improve living standards, for which best (if imperfect) proxy is economic growth.

New chart plots an 'Environmental Kuznets Curve'

'EKC' plots economic growth (x axis) against damage (y axis, proxied by temperature here).

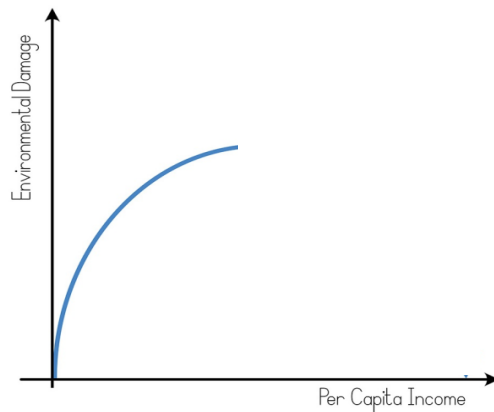
The Environmental Kuznets Curve (EKC)



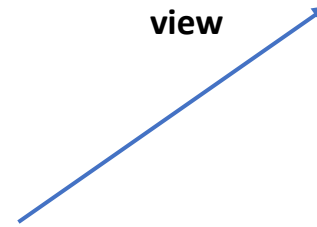
... Income or Economic Growth

'Economists' and 'ecologists' have different intuitions about how EKC graphs develop

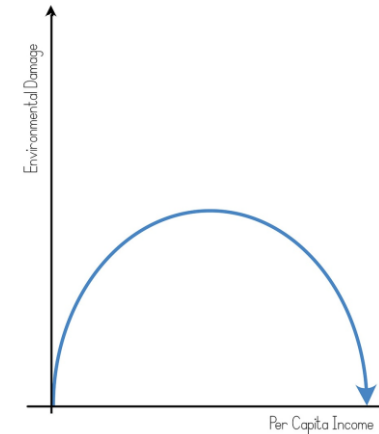
The Environmental Kuznets Curve (EKC)



**'Economic'
view**

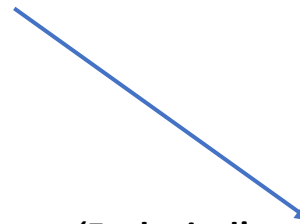


Growth fixes problems...

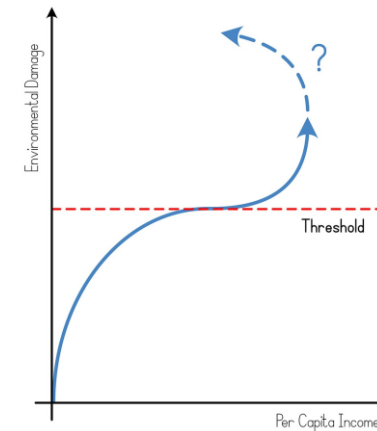


Market-led growth will always solve problems in time.

**'Ecological'
view**



...or growth is the problem?

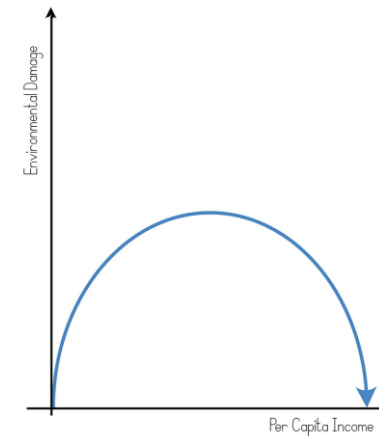


Complex systems sometimes breach thresholds and collapse.

For climate change, we ARE the experiment

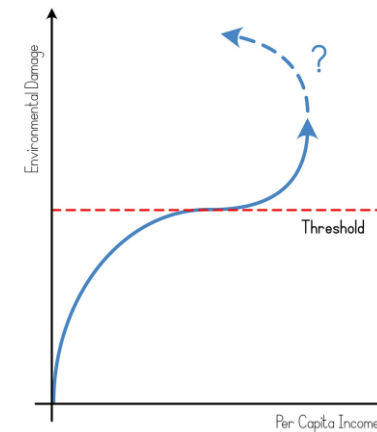
- Ideally, you would do experiments and gather empirical evidence to determine whether the 'economic' or the 'ecological' view of the EKC was correct.
- Unfortunately, **for climate change and other global challenges, we ARE the experiment.**
 - The experiment is global and ongoing.
 - There is nowhere to stand that is not part of the experiment.

Growth fixes problems...



Market-led growth will always solve problems in time.

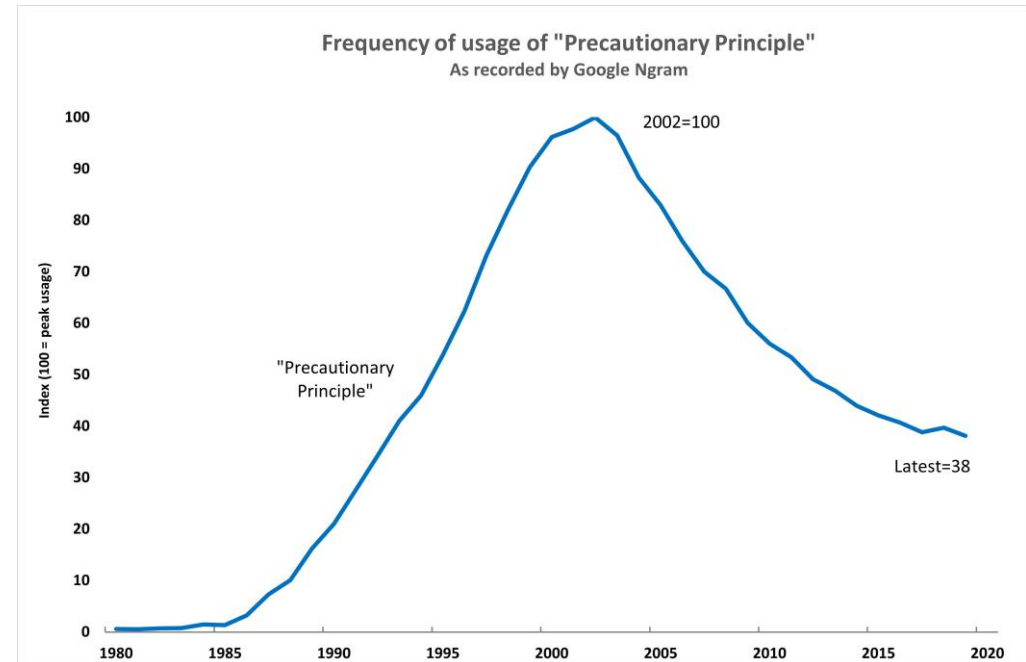
...or growth is the problem?



Complex systems sometimes breach thresholds and collapse.

For climate change, we ARE the experiment

- Ideally, you would do experiments and gather empirical evidence to determine whether the 'economic' or the 'ecological' view of the EKC was correct.
- Unfortunately, **for climate change and other global challenges, we ARE the experiment.**
 - The experiment is global and ongoing.
 - There is nowhere to stand that is not part of the experiment.
- This was why the 'precautionary principle' was articulated...
- ... though enthusiasm for the idea seems to have faded (?!)





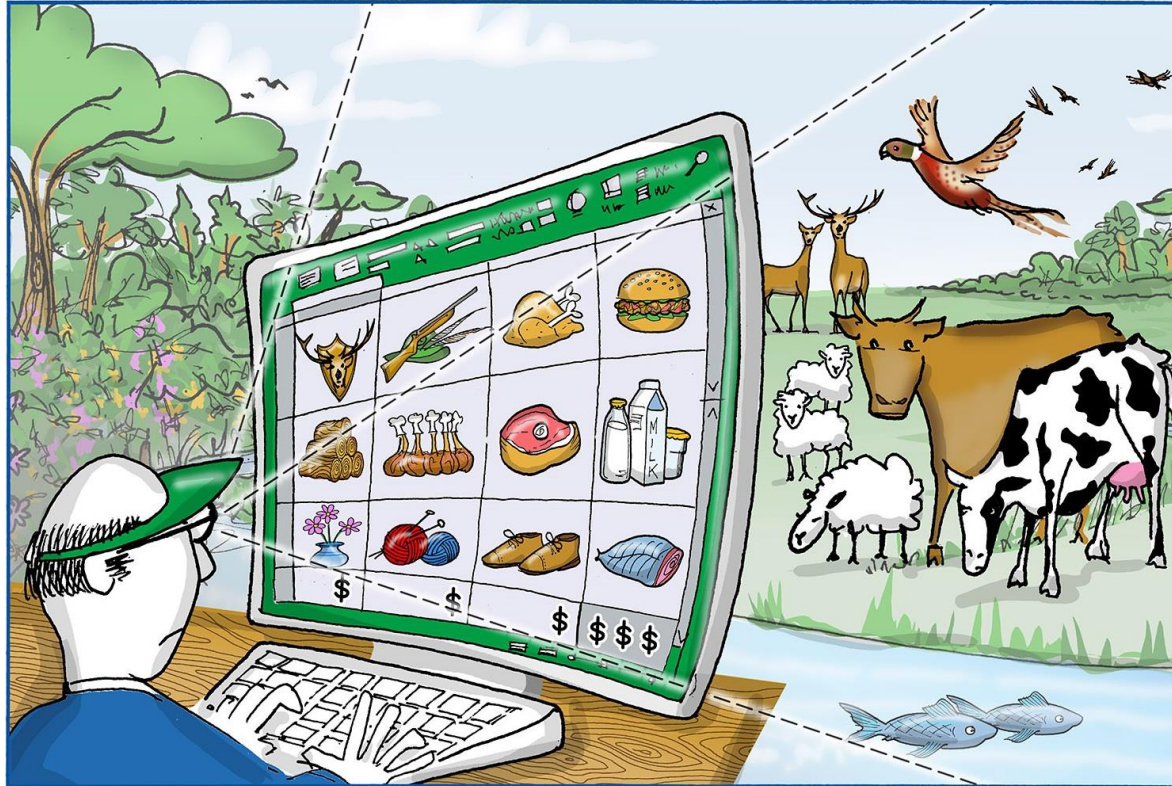
3. Economics and Finance Mask the Physics

The Finance masks the Physics

	2019	2018	2017
Net Revenue	\$ 67,161	\$ 64,661	\$ 63,525
Cost of sales	30,132	29,381	28,796
Gross profit	37,029	35,280	34,729
Selling, general and administrative expenses	26,738	25,170	24,453
Operating Profit	10,291	10,110	10,276
Other pension and retiree medical benefits (expense)/income	(44)	298	233
Interest expense	(1,135)	(1,525)	(1,151)
Interest income and other	200	306	244
Income before income taxes	9,312	9,189	9,602
Provision for/(benefit from) income taxes (See Note 5)	1,959	(3,370)	4,694
Net income	7,353	12,559	4,908
Less: Net income attributable to noncontrolling interests	39	44	51
Net Income Attributable to Xyz Co	\$ 7,314	\$ 12,515	\$ 4,857
Net Income Attributable to Xyz Co per Common Share			
Basic	\$ 5.23	\$ 8.84	\$ 3.40
Diluted	\$ 5.20	\$ 8.78	\$ 3.38
Weighted-average common shares outstanding			
Basic	1,399	1,415	1,425
Diluted	1,407	1,425	1,438

We are not making decisions based on *physics*...

... we are making them based on *economics* and *finance*,
on the tacit assumption that economics and finance reflect the physics well enough.



View from the 'bridge' of a market-based society

Not everyone has to work on a trading floor for it still to be one of the critical nerve centres of decision-making in a market-based society. This is where 'market discipline' is enacted such that the resources of the world are continually directed to their most profitable use.



We try and compensate by producing supplementary sustainability reports...

... but these reports have not earned true equivalence with financial data in most firms and certainly not for the economic system as a whole.

	2019	2018	2017
Net Revenue	\$ 67,161	\$ 64,661	\$ 63,525
Cost of sales	30,132	29,381	28,796
Gross profit	37,029	35,280	34,729
Selling, general and administrative expenses	26,738	25,170	24,453
Operating Profit	10,291	10,110	10,276
Other pension and retiree medical benefits (expense)/income	(44)	298	233
Interest expense	(1,135)	(1,525)	(1,151)
Interest income and other	200	306	244
Income before income taxes	9,312	9,189	9,602
Provision for/(benefit from) income taxes (See Note 5)	1,959	(3,370)	4,694
Net income	7,353	12,559	4,908
Less: Net income attributable to noncontrolling interests	39	44	51
Net Income Attributable to XYZ Co	\$ 7,314	\$ 12,515	\$ 4,857
Net Income Attributable to XYZ Co per Common Share			
Basic	\$ 5.23	\$ 8.84	\$ 3.40
Diluted	\$ 5.20	\$ 8.78	\$ 3.38
Weighted-average common shares outstanding			
Basic	1,399	1,415	1,425
Diluted	1,407	1,425	1,438

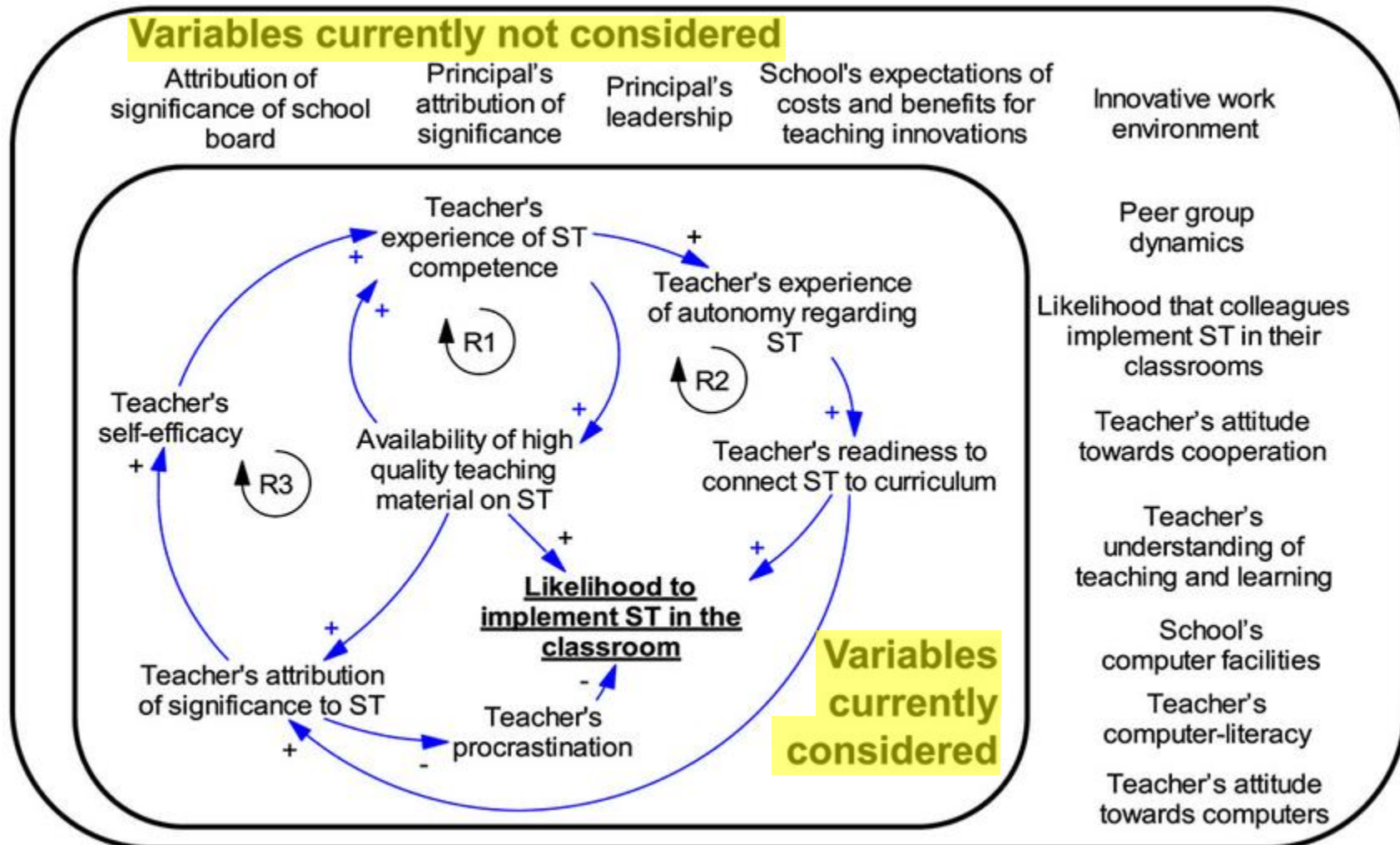
Contributions to the Achievement of the SDGs

Material topics and respective contributions to SDG	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Resilient Sourcing	■		■		■		■		■		■		■		■		■
Safe and Sustainable Sites			■	■		■		■		■		■		■		■	
Climate Action and Energy Efficiency			■			■	■				■		■				
Energized Employees and Performing Teams	■		■	■	■		■										■
Sustainable Product Portfolio		■	■			■	■					■		■			
Business-Driven Innovation	■	■	■			■	■			■	■						
Valuing Customer Relations												■					■
Total Contribution to SDG	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■

■ low ■ medium ■ high

Example: A Systems Thinking (ST) diagram that transparently conveys what is being ignored

Rather than the 'we also do this' of sustainability reporting, it might be more honest to admit 'our real decision-making continues to ignore this...'



Sustainability challenge in a nutshell: 'generally accepted' financial statements are not fully costed

Variables Not Fully Costed in P&L

Air pollution

Soil erosion

Overfishing

GHG Emissions

Water pollution

'Generally Accepted' P&L

	2019	2018	2017
Net Revenue	\$ 67,161	\$ 64,661	\$ 63,525
Cost of sales	30,132	29,381	28,796
Gross profit	37,029	35,280	34,729
Selling, general and administrative expenses	26,738	25,170	24,453
Operating Profit	10,291	10,110	10,276
Other pension and retiree medical benefits (expense)/income	(44)	298	233
Interest expense	(1,135)	(1,525)	(1,151)
Interest income and other	200	306	244
Income before income taxes	9,312	9,189	9,602
Provision for/(benefit from) income taxes (See Note 5)	1,959	(3,370)	4,694
Net income	7,353	12,559	4,908
Less: Net income attributable to noncontrolling interests	39	44	51
Net Income Attributable to Xyz Co	\$ 7,314	\$ 12,515	\$ 4,857
Net Income Attributable to Xyz Co per Common Share			
Basic	\$ 5.23	\$ 8.84	\$ 3.40
Diluted	\$ 5.20	\$ 8.78	\$ 3.38
Weighted-average common shares outstanding			
Basic	1,399	1,415	1,425
Diluted	1,407	1,425	1,438

Waste generation

Toxic chemical use

Natural resource depletion

Deforestation

Poor working conditions

Forced labour

Inequality dynamics of 'free markets'

Etc.

Note: The tax line effectively 'costs' some externalities, but are corporate tax levels established with all these externalities in mind?

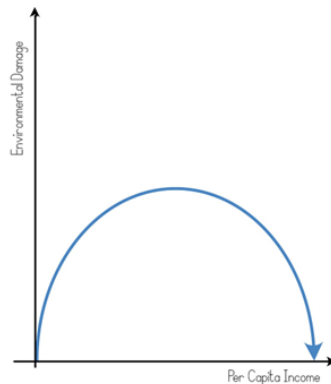
It matters how fully costed P&Ls are, i.e. whether externalities are large or small

Scenario A: Few externalities; P&Ls are well costed. 'Market-led' solutions have a high chance of success as economic growth is 'externality- and threshold-aware'

	2019	2018	2017
Net Revenue	\$ 67,161	\$ 64,661	\$ 63,525
Cost of sales	30,132	29,381	28,796
Gross profit	37,029	35,280	34,729
Selling, general and administrative expenses	26,738	25,170	24,453
Operating Profit	10,291	10,110	10,276
Other pension and retiree medical benefits (expense)/income	(44)	298	233
Interest expense	(1,135)	(1,525)	(1,151)
Interest income and other	200	306	244
Income before income taxes	9,312	9,189	9,602
Provision for (benefit from) income taxes (See Note 5)	1,959	(3,370)	4,694
Net income	7,353	12,559	4,908
Less: Net income attributable to noncontrolling interests	39	44	51
Net Income Attributable to PepsiCo	\$ 7,314	\$ 12,515	\$ 4,857
Net Income Attributable to PepsiCo per Common Share			
Basic	\$ 5.23	\$ 8.84	\$ 3.40
Diluted	\$ 5.20	\$ 8.78	\$ 3.38
Weighted-average common shares outstanding			
Basic	1,399	1,415	1,425
Diluted	1,407	1,425	1,438



Growth fixes problems...

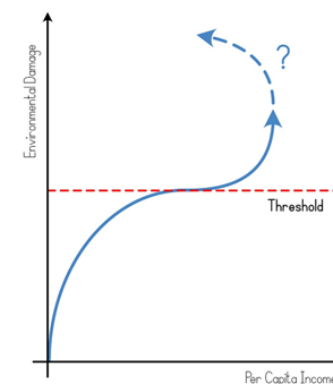


Scenario B: Many externalities; P&Ls are not well costed. 'Market-led' solutions are likely to fail because growth accelerates damages faster than solutions can remedy.

	2019	2018	2017
Net Revenue	\$ 67,161	\$ 64,661	\$ 63,525
Cost of sales	30,132	29,381	28,796
Gross profit	37,029	35,280	34,729
Selling, general and administrative expenses	26,738	25,170	24,453
Operating Profit	10,291	10,110	10,276
Other pension and retiree medical benefits (expense)/income	(44)	298	233
Interest expense	(1,135)	(1,525)	(1,151)
Interest income and other	200	306	244
Income before income taxes	9,312	9,189	9,602
Provision for (benefit from) income taxes (See Note 5)	1,959	(3,370)	4,694
Net income	7,353	12,559	4,908
Less: Net income attributable to noncontrolling interests	39	44	51
Net Income Attributable to PepsiCo	\$ 7,314	\$ 12,515	\$ 4,857
Net Income Attributable to PepsiCo per Common Share			
Basic	\$ 5.23	\$ 8.84	\$ 3.40
Diluted	\$ 5.20	\$ 8.78	\$ 3.38
Weighted-average common shares outstanding			
Basic	1,399	1,415	1,425
Diluted	1,407	1,425	1,438

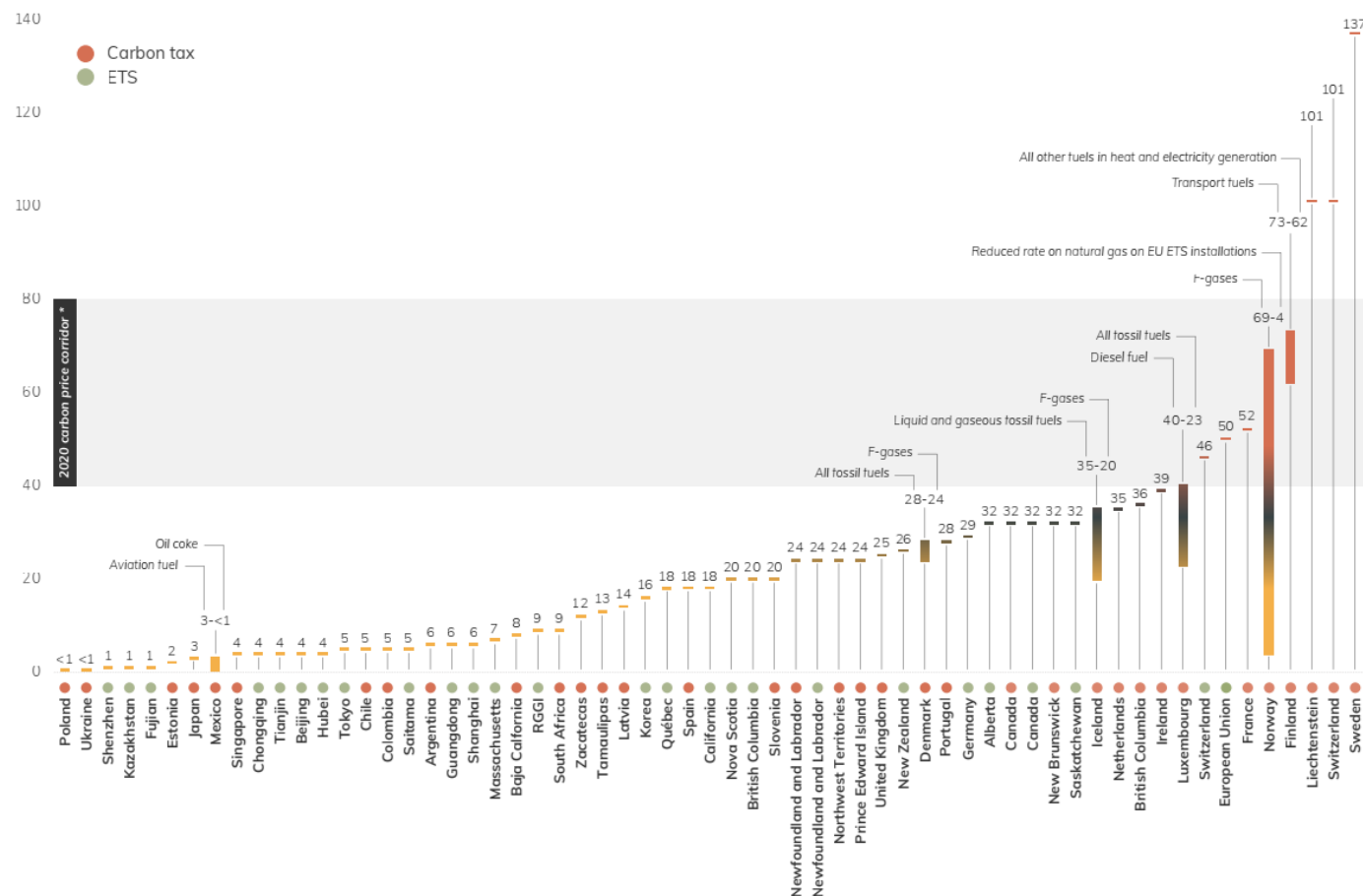


...or growth is the problem?



Reminder: Less than 4 percent of global carbon is adequately priced

CARBON PRICES (2021)



A growing number of carbon pricing programs, but only **3.76%** of global emissions covered by a carbon price above USD 40/tCO2e (the minimum recommended by 2020 to be Paris compliant). World Bank, 2021

A basic stewarding duty

	2019	2018	2017
Net Revenue	\$ 67,161	\$ 64,661	\$ 63,525
Cost of sales	30,132	29,381	28,796
Gross profit	37,029	35,280	34,729
Selling, general and administrative expenses	26,738	25,170	24,453
Operating Profit	10,291	10,110	10,276
Other pension and retiree medical benefits (expense)/income	(44)	298	233
Interest expense	(1,135)	(1,525)	(1,151)
Interest income and other	200	306	244
Income before income taxes	9,312	9,189	9,602
Provision for/(benefit from) income taxes (See Note 5)	1,959	(3,370)	4,694
Net income	7,353	12,559	4,908
Less: Net income attributable to noncontrolling interests	39	44	51
Net Income Attributable to PepsiCo	\$ 7,314	\$ 12,515	\$ 4,857
Net Income Attributable to PepsiCo per Common Share			
Basic	\$ 5.23	\$ 8.84	\$ 3.40
Diluted	\$ 5.20	\$ 8.78	\$ 3.38
Weighted-average common shares outstanding			
Basic	1,399	1,415	1,425
Diluted	1,407	1,425	1,438



There are many good reasons to like markets, but the basic stewarding duty of market-favouring societies must be to internalize the externalities that become known on their watch.

It is the fate of current generations to have identified substantial external consequences of economic growth on their watch.

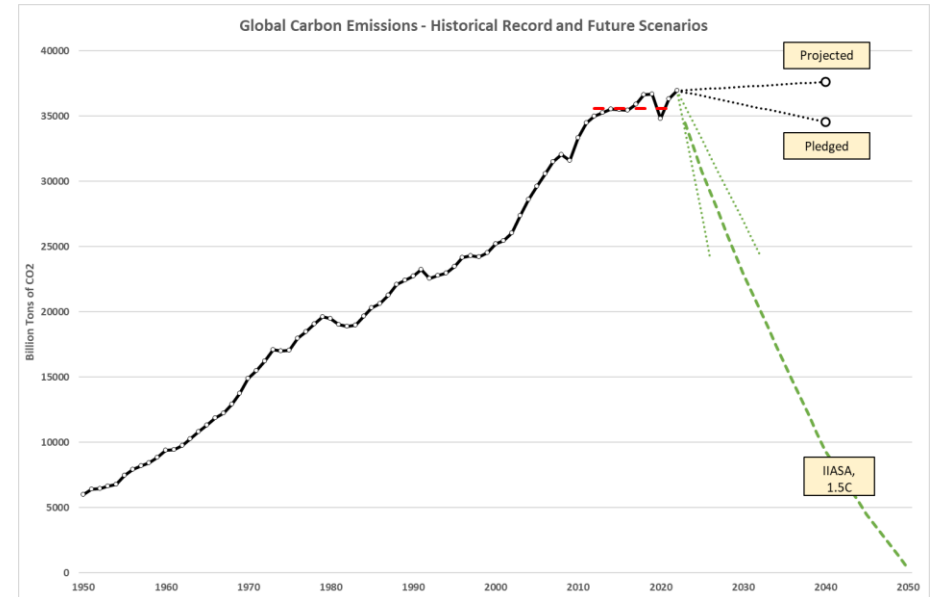
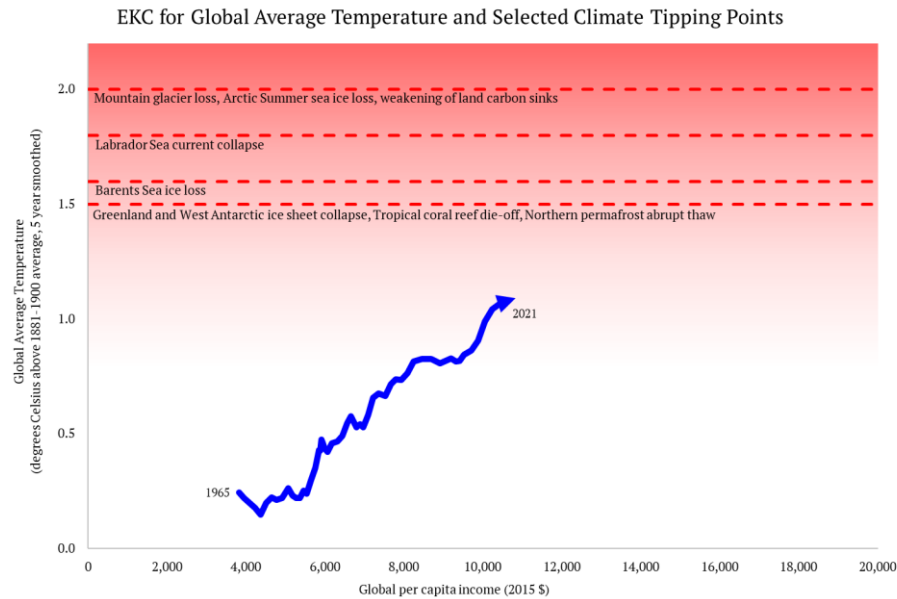


4. Can We Make the Turn In Time?

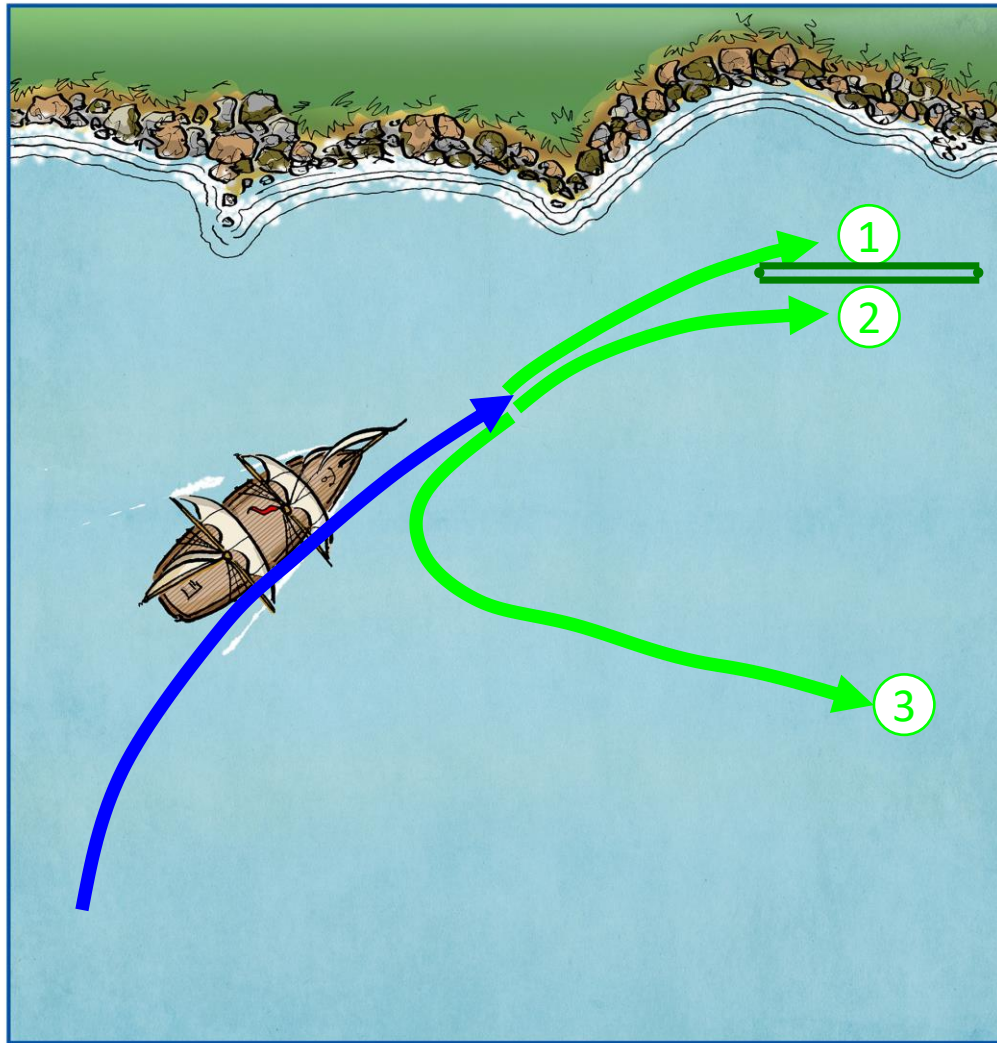
Need to steer by the physics and work back to the economics.

The climate change challenge is a physical turn

... to prevent **temperature** breaching 1.5°C or certainly 2°C (left), **emissions** (right) need to immediately start heading to zero.



Three turning mechanisms to avoid tipping points



bothbrainsrequired.com

1. Voluntary market-led substitution ('win-win')

- Markets have driven much historical technological substitution, but no guarantee that will always happen in the time available.
- Slippage in the form of headroom needed even to build a green economy; just building a low carbon energy production system *and nothing else* uses up 0.1°C of further warming.
- Slippage as 'win-win' narrative licences general economic growth.

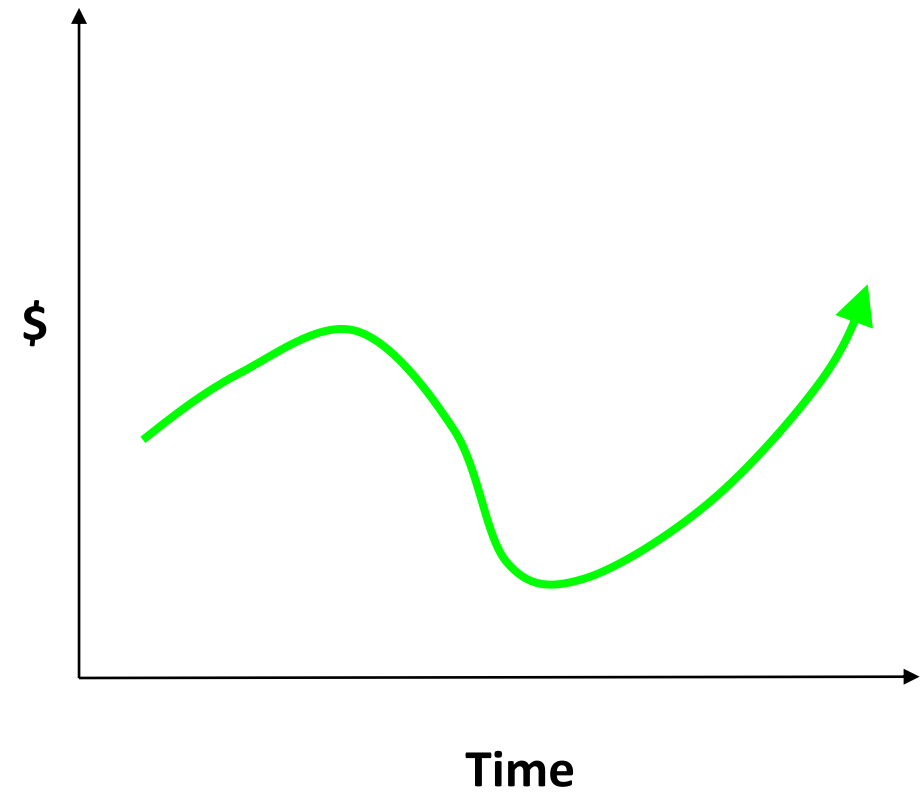
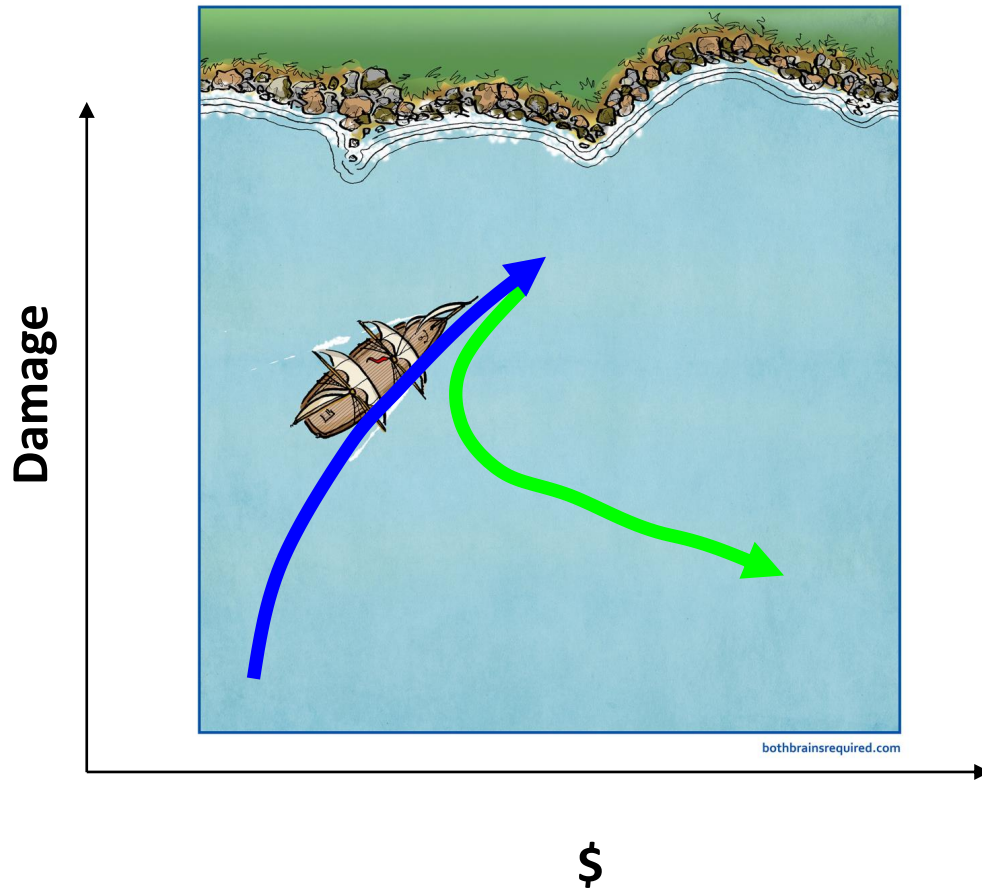
2. 'Growth' policies ('spend more to win')

- Government spending can tighten the turning circle by incentivizing green growth with subsidies, tax credits, direct investment etc.
- This costs more, so who pays? Concessionary capital? Taxpayers?
- Slippage still in that (1) and (2) are both premised on 'more doing', which uses up limited ecological headroom.

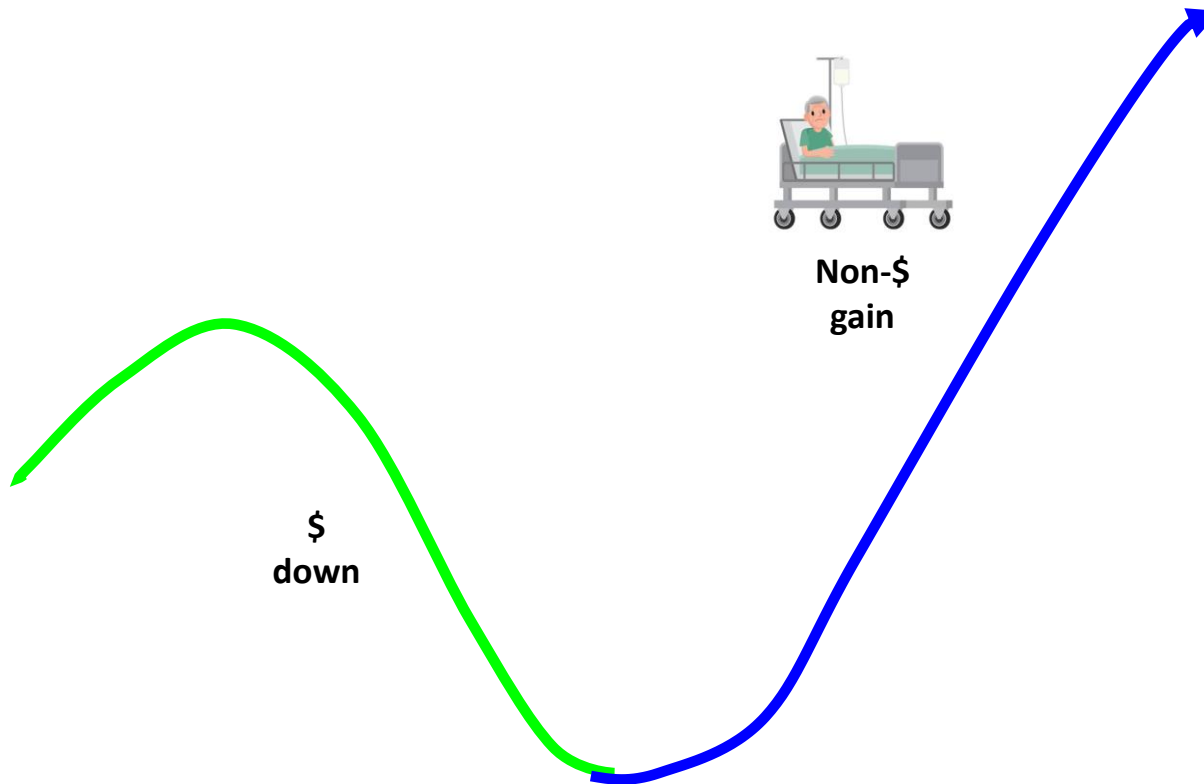
3. Constraint policies ('stop doing to win')

- Sometimes you have to reverse a boat or ship to gain space and time.
- Analogy: vaccines are better solutions for a pandemic than lockdowns, but if you don't yet have vaccines, it is reckless to behave as if you do.
- Only constraint policies *directly* target problematic behaviours of emissions etc.

Mechanism 3 is a J-curve on different axes: 'Restructuring'



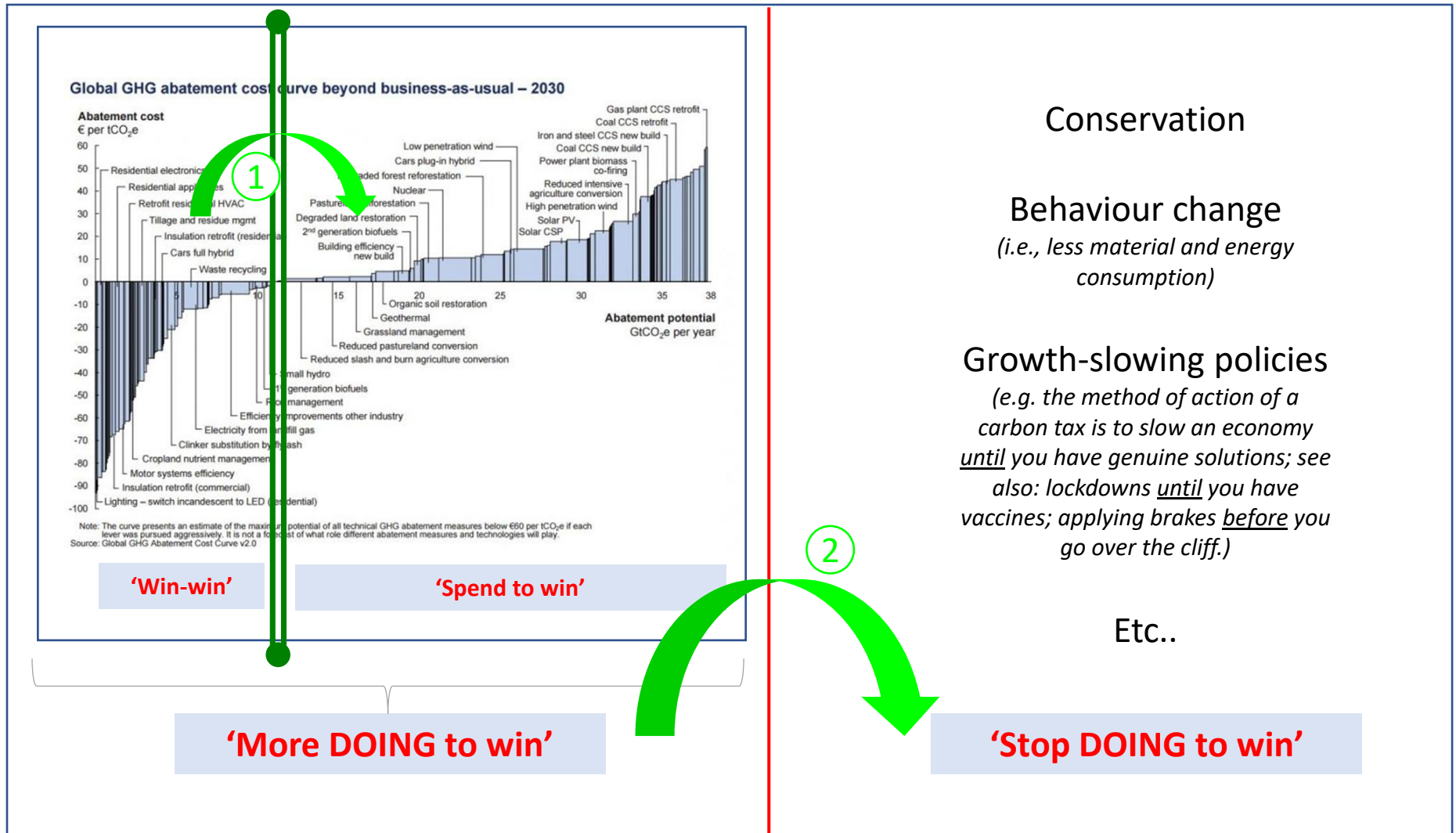
'Spend to win' and 'stop doing to win' are J-curves with a non-monetary gain



- Analogy: if an elderly but wealthy person discovers they have a serious illness for which there is an expensive treatment, their choices are:
 - To not pay; or
 - To 'use up' some of their wealth to buy good health ('spend to win')
 - They typically are not offered the choice of paying the doctor to perform the treatment, then receiving their fees back with a market return on top.
- At some point, an 'investment' choice becomes a 'consumption' choice; the question is whether the consumption buys something meaningful or necessary.
- The sustainability challenge increasingly has the form of 'using wealth to buy a habitable planet'.
- The investment industry, premised on wealth preservation, is innately challenged if the problem now has a *spend-to-win* or *stop-doing-to-win*-form.

Progression of sustainability responses: 'win-win', 'spend to win', 'stop doing to win'

Sensible and easiest to start with 'win-win' solutions, but we now also need 'spend to win' and 'stop doing to win' solutions. Yet 'finance as normal' only tolerates 'win-win'...





5. Companies, Policy and Politics

Private actors are recognizing the need to catalyse system change

... but 'crossing the line' rather than just stretching it requires (difficult) internalization of the economic costs of genuine sustainable policies.

“Win-win”

‘Practical’

Voluntary

Piecemeal

Etc...

Long-term thinking

Universal owner

Macro-stewardship

“Spend-to-win”

‘Impractical’

Mandatory/binding

Universal/whole system

Etc...

CPR: ‘Corporate
Political Responsibility’

Corporations as moral
actors?

“Corporate political responsibility”

The Importance of Corporate Political Responsibility

Engaging on political policy requires courage when it goes against industry dogma.

Andrew Winston, Elizabeth Doty, and Thomas Lyon • October 24, 2022 Reading Time: 10 min

*MIT Sloan Management Review:
Corporate Political Responsibility
Taskforce.*

Stanford **SOCIAL**
INNOVATION Review
Informing and inspiring leaders of social change

[SOCIAL ISSUES](#)

[SECTORS](#)

[SOLUTIONS](#)

[MAGAZINE](#)

[GLOBAL EDITORIAL](#)

Business

Why Sustainable Investment Means Investing in Advocacy

Combining traditional impact investment approaches with investment in advocacy is the only way businesses and investors can fuel meaningful social and environmental progress.

[CITE](#)

[SHARE](#)

[COMMENT](#)

[PRINT](#)

[ORDER REPRINTS](#)

By [Alan Schwartz](#) & [Reuben Finighan](#) | Sep. 8, 2021

Not engaging politically leaves door open for obstructive lobbying



PRESS RELEASE

October 24, 2022

Major Industry Groups Lobby to 'Delay, Dilute and Rollback' Biodiversity Policy

Pilot study reveals 89% of biodiversity policy engagement is negative

Major industry associations in Europe and the United States are overwhelmingly lobbying to delay, dilute or rollback policies designed to tackle biodiversity loss, according to a new *pilot study* by climate think tank InfluenceMap.

The research analyzed more than 750 pieces of evidence covering 12 industry associations - including the **US Chamber of Commerce**, the **American Petroleum Institute (API)**, **BusinessEurope**, and **Copa Cogeca**. The 12 organizations represent five key sectors with the greatest impact on biodiversity loss, as well as the major cross sector industry association in each region.

It found that in 89% of cases, the policy engagement was aimed at blocking progress on addressing biodiversity loss. Just 5% were found to be supportive, with the rest either mixed or neutral.

Debunking corporate claims to be apolitical

- **Companies protest ‘we are not political agents’.**
 - Nonsense!
 - Large sums of *direct* corporate lobbying...
 - E.g., US corporate lobbying of \$3.7bn in 2021 (from \$1.5 in 2000)
 - ...reinforced by *indirect* trade association spending and activity.
 - E.g. US American Petroleum Institute outspends renewable energy associations by 6x
 - Underlying dynamics of Friedman’s Feedback Loop means that corporations have had a large, cumulative impact on the evolution of policy and law.
- **But – bigger point – inaction is a political act too!**
 - Inaction is the tacit support and reinforcement of the status quo.
 - ‘Political’ is not synonymous with ‘seeking change’. Choosing to do nothing is a political action in a time of crisis.
 - To keep signing off on financial statements that are **not** fully costed is to endorse the underlying political arrangements that shape our economic and financial system.
- **The *political* and *moral* character of inaction in times of change has been repeatedly commented upon...**
 - “All that is necessary for evil to triumph is for good people to do nothing” (Edmund Burke)
 - In studying the extreme case of the Holocaust, Hannah Arendt highlighted the link between thoughtlessness and ‘evil’ that holds true in milder form (‘harm?’) in the sustainability challenge:
 - “The banality of *harm*...”
 - “There is a strange interdependence between thoughtlessness and *harm*.”
 - “The sad truth is that most *harm* is done by people who never make up their minds to be good or *harmful*.”
 - “The deeds were *harmful*, but the doer... was quite ordinary, commonplace, and neither demonic nor monstrous.”
 - When the problem – i.e., our unsustainability – is rooted in the system, just going along with the system by being a ‘good’ actor within the system allows the system to keep perpetuating its harm.
 - This is what it means for a problem to be ‘systemic’: ‘good’/‘accepted’ behaviour in the system *is* the problem.

<https://www.statista.com/statistics/257337/total-lobbying-spending-in-the-us/> ; Climate Investigations Center



The exonerating rationale

- For good, well-meaning, intelligent people to keep going within a system that is creating evident problems, there must be accepted rationalizations that suppress the personal dissonance and are collectively shared.
- These defences must be so commonplace and widely accepted as to be barely reflected upon ('hidden in plain sight'), and effectively unimpeachable or beyond reproach.
- For the investor or corporate executive, the line is:
 - **"I'd like to..., but I have a fiduciary responsibility."**
 - a.k.a. "don't ask me, I'm just the agent, you need to see the principal about all that."
 - a.k.a. "I'm just following orders."
 - Adding the concept of 'fiduciary responsibility' to externality-denying financial statements is how our economic system dissipates responsibility for change, effectively shunting it from nodes of real potential influence to peripheral individuals who don't even have the time to track what is in their pension funds.
 - It is the reason nobody is responsible for 'capitalism'.
 - With nobody having a real responsibility to fix externality-denying capitalism, the external damages accelerate.
- For the consumer, equivalent lines are:
 - **"I'm just keeping up with the Jones'"**
 - **"Why should I give up X, Y, Z if nobody else is...?"**
- **This is how systemic problems perpetuate: they are so normalized, we don't even notice the normalizing dynamics.**



6. Sustainability is a ~~Market~~ ~~Opportunity~~ Moral Challenge

Moral choices



"There comes a time when one must take a position that is neither safe, nor politic, nor popular, but he must take it because conscience tells him it is right."
(Martin Luther King)

We understand that Martin Luther King was an exceptional leader and so we readily excuse ourselves from his summons...

... only to run into Edmund Burke's moral backstop.

"All that is required for evil to triumph is for good people to do nothing."
(Edmund Burke)



Conclusion

- Sustainability is a systemic problem, which, in the magnitude of its challenge, now demands 'deeper' responses from the complex system of human society.
- A first response 'win-win' phase embodied the hope that the market's turning mechanism – voluntary substitution enabled by technology – might work faster than it has.
- Lots of benefits from that 'win-win' phase...
 - Accelerated awareness
 - Fresh innovation paths
 - New business models, etc.
- ... but many social and environmental trajectories continue to worsen and there is a risk that the 'win-win' narrative unwittingly perpetuates complacency about what can and should be done.
- If 'win-win' can't deliver enough change, fast enough, then we must trigger 'spend to win' and 'stop doing to win' strategies, which offer real possibilities albeit at a cost.
- Such strategies amount to 'crossing a line' in that calling for costly and mandatory solutions conflicts with norms of a market-led society, premised on the idea that market-led growth can solve all problems before it is too late.
- This just crystallizes that sustainability is becoming more of a moral challenge than a market opportunity.
- We reach for the difficult word of 'moral' when it becomes clear that status quo structures cannot stretch to solve current problems. Our use of the word 'moral' is the complex system of humankind identifying the need for 'deeper' adaptation.
- Moral challenges always raise difficult notions and questions:
 - 'Sacrifice' (= 'to give up for the sake of something else')
 - Who pays?
 - Who absorbs costs?
- 'Win-win' was the hope we wouldn't need 'deeper' political and cultural changes, but it looks like it has come to that.
- Individuals and institutions in the private sector could now be a critical 'swing voice' in articulating the moral nature of the sustainability challenge and their willingness to support costly solutions that might now be most beneficial.