

**The following interview appeared, edited and in Chinese, on the website  
of the [Xinhua News Agency](#) on March 25, 2013**

Dear Dr. Schwerin,

I think your book about conscious capitalism and your thinking is very good for Chinese companies and society. Thank you very much for allowing us to interview you. I will be very grateful if you could answer the following questions.

Thank you so much!

Best Regards,

Ying Xue

Chief Correspondent of Xinhua News Agency Los Angeles Bureau

**1. Why are enterprises important for improving environmental and social justice causes?**

Business enterprises have enormous influence and power that transcend geographic borders. In fact, some large transnational companies have revenue that exceeds the GNP of many countries. The policies established by companies affect employees' living standards, the surrounding community's strength and vitality, the health of the region's ecosystem and the quality of its air, water and soil. Decisions made by executives in the oil, coal, agriculture and heavy manufacturing industries can determine the level of pollution in the community in which it operates and the well-being of its citizens. For example, according to a study by the [Health and Environment Alliance](#) air pollution from Europe's coal-fired power plants is responsible for \$56 billion in health care costs, more than 18,000 premature deaths, 4 million lost working days and 8,500 new cases of chronic bronchitis every year. In addition, coal is a leading source of CO<sub>2</sub> emissions which worsen global warming. The study's findings are particularly troubling since the use of coal is now increasing in Europe after years of decline.

Companies also play a significant role in the lives of their employees. They determine who gets trained and promoted and what type of working conditions are offered. A business I have visited that scores well on environmental and labor issues is [Limoneira Company](#). Limoneira is a leading national agribusiness founded in 1893. It is one of the largest lemon and avocado growers in the U.S. and is dedicated to innovation, sustainability and the health and productivity of their farmworkers and their families. To achieve this objective, the company offers their employees low-cost rental housing right on the company's property. This reduces the amount of time and fossil fuel that would otherwise be expended traveling to and from work and provides comfortable, economical living quarters. In addition, two thirds of the company's purchased electricity is solar-powered. The solar orchards eliminate 60,000 tons of CO<sub>2</sub> emissions that would otherwise be produced. The use of organic mulch in the lemon and avocado orchards limits the amount of water lost through evaporation. Using no-till farming methods in the orchards reduces soil erosion and improves the soil's moisture holding capacity.

There are many examples of how companies make decisions and establish policies that are either self-serving or serve the common good. It all depends on how conscious the businesses leaders are of their connection to and dependence upon people and nature both locally and globally.

## **2. Is capitalism making a turn toward conscious capitalism? Some scholars say that now capitalism stands at the threshold of Consciousness. Do you agree? Why?**

Capitalism, an economic system based on private ownership of resources and free, competitive markets, is value neutral. Managers of an enterprise can make decisions which are conscious and considerate of all its stakeholders those that will be detrimental to some or all of their stakeholders. Many people get upset at “businesses” that take selfish, short-sighted actions. Businesses don’t make decisions; people do. Businesses are nothing more than a group of people working together to achieve a common goal. People are sometimes conscious of how their decisions affect others and sometimes unaware or unconcerned about the consequences of their actions. As a company’s employees become more aware of how interconnected and interdependent everything is they are likely to make more responsible decisions and build a business that is not only prosperous but equitable and sustainable. They will understand that adopting fair, far-sighted business practices is in their enlightened self-interest. Too often we think of self-interest only in the narrow sense rather than the more accurate view that we are all connected and anyone who harms another, consciously or unconsciously, will eventually pay a price. My second book, *Conscious Globalism: What’s wrong with the world and how to fix it*, takes an expanded view of self-interest in relation to a wide range of social, environmental and economic issues.

Capitalism is becoming more conscious because the decision makers in many companies are becoming more aware of how everything is connected and how it is, therefore, in their interest to treat all stakeholders fairly. A conscious form of capitalism that considers the needs of its employees, customers, suppliers, the community and the environment thrives. Its employees are more motivated, productive and creative; its customers more loyal and its suppliers more cooperative. The community regards the company as a desirable neighbor and when conflicts develop between the needs of the business and the desires of the community they can be resolved more easily. Finally, a business that respects the environment has more sustainable resources available to it at lower costs. All this enables the enterprise to increase revenue, reduce costs, enhance its reputation, attract and retain employees and gain access to lower cost capital. Everybody wins.

## **3. When did you begin to realize the importance of social-consciousness for a business man? Could you tell us some interesting and important things that changed your view?**

In 1976 I started an investment-counseling firm to manage the investment portfolios of a wide variety of clients. Concurrent with my investment career I began studying ancient wisdom which helped me to better understand myself and the world around me. As I became more conscious of the fact that everything that happens to me is a result of my thoughts, feelings and actions, I realized I could make a conscious choice to make the world a better place by clearly stating my intention to do so.

In 1978 one of my first clients, a recently widowed woman, met with me and told me that she did not want her money invested in companies doing business in South Africa. While I admired her strong moral stance, I was a bit concerned that such restrictions would adversely affect her investment results. I also wondered whether pressure from those with similar feelings would result in unintended consequences such as hurting employment opportunities for the impoverished people in South Africa. Nonetheless I followed her instructions and began thinking about whether corporations had obligations to more than their stockholders. At the time, neoclassical economic theory which focuses on a narrow notion of self-interest was the unquestioned view of reality. It promoted

the idea that the only conceivable justification for individual behavior is the exclusive and endless pursuit of personal material wealth. The finance literature supplies no empirical evidence to support this premise. In fact, there is ample evidence that in many situations individuals are not primarily motivated by personal wealth maximization.

Despite my academic training in finance, I quickly came to the conclusion that corporations not only had responsibilities that extend beyond their stockholders but that paying attention to the needs and desires of all stakeholders was a practical approach that would enhance a company's long term success. In the early 1980's I began to limit the companies I invested in by excluding any company that disregarded the needs of the environment or that produced harmful products. I began to feel strongly that treating all constituencies fairly is not only good for one's conscience but advantageous for one's pocketbook. Socially responsible investing (SRI) was just getting started in the 1980s so it is not until recently that sufficient data became available to evaluate the results of SRI. While there have been some periods when SRI lagged the market, it has not been the drag on performance that most critics expected and, for the most part, has been financially quite rewarding.

My wife, son and I took a trip to South Africa several years ago and were truly impressed by the progress they are making. We took a tour of Robbin Island where Nelson Mandela was held captive for many years. Our tour guide was a former apartheid prisoner. He enthusiastically thanked those of us who had boycotted companies doing business in South Africa during the apartheid era and told us that these actions played an important role in accelerating the apartheid government's demise. We also learned that the boycotts had a positive effect on much of the country's industry. So it turns out that the client who first got me thinking about the social responsibilities of business did indeed have a positive impact on the life of South Africans.

**4. You said that environmental protection and restoration could be the biggest business opportunity in the 21<sup>st</sup> century, and that green development could be a win-win solution for companies and the society. Could you please elaborate?**

The transition to a sustainable economy will create jobs, spur innovation, and enhance the quality of life for all. It will make the economy more able to withstand climate change, resource scarcity, and other sustainability challenges. Some of the areas of greatest potential are renewable energy, energy efficiency, green manufacturing, transportation and infrastructure, recycling, green chemistry, broadband Internet, and smart grid technologies.

The potential market for green development is huge, as are the challenges. For example, the global market for renewable energy – offshore and onshore wind, solar and other renewable sources of power – is estimated to reach between \$1.7 trillion and \$2.3 trillion over the next decade. While many people focus on the size of the solar and wind markets, there is also an enormous market for technologies that make buildings and appliances more efficient. Some estimate that two dollars can be saved for every dollar spent making buildings more energy efficient. In addition, enhancing the electric power transmission system has the potential to revolutionize energy management, communications and economic development. Installing a smart grid – such as integrated communication systems and smart meters – can improve the management and distribution of energy in an efficient and reliable manner and reduce energy consumption at homes and offices. Furthermore, strategic investing in transit, rail, freight systems and port facilities can reduce congestion and pollution and maximize efficiency.

Perhaps the greatest benefit from green development is that former rivals and competitors will be encouraged to engage in more cooperative arrangements. This includes businesses, non-governmental organizations and even countries. For example, in order to reduce costs and advance the introduction of more sustainable products, the normally ultra-competitive auto industry is forming collaborative partnerships to develop environmentally-

friendly technologies. These partnerships are engaged in everything from developing new products to trying to understand future trends in demographics and the rapidly changing environmental conditions. They see that their future profitability will be affected by how effectively they respond to global challenges such as resource scarcity (energy and building materials), population growth (food and water) and climate change.

Interestingly, Ethical Corporation, a British company focused on ethics and sustainability issues since 2001, did a study of two virtually identical sets of 180 U.S. businesses over the period 1993 to 2010; half were high-sustainability companies and half low-sustainability. The former had adopted corporate policies aimed at improving environmental and social performance while the latter group had not made these changes. The low-sustainability businesses were focused on short-term profit maximization and the high-sustainability companies had a much wider focus that took into account relationships with all stakeholders. They made sustainability a board of directors' priority and used a longer-term time horizon in their external communications. Finally, the high-sustainability companies place greater emphasis on environmental and social standards in selecting, monitoring and measuring the performance of their suppliers and were more transparent in their disclosure of non-financial information. The study found that firms in the high-sustainability group significantly outperformed firms in the low-sustainability group in terms of stock market performance, return-on-assets and return-on-equity.

Perhaps the two countries with the most to gain by cooperating on environmental issues are the United States and China. They are the world's biggest energy consumers and biggest greenhouse gas emitters. Both nations have similar energy and climate problems but different comparative advantages for addressing those problems. The United States leads in cutting-edge clean energy innovation, and China leads in the rapid commercialization and deployment of those technologies.

If U.S. and Chinese clean energy enterprises can have open access to each other's markets, that access will improve their ability to achieve economies of scale and drive down costs. If both markets are competitive, that will give enterprises in both countries strong incentives to innovate which will lead to new technologies and new business models that should speed the transition to a clean energy economy. That would be good for U.S. and Chinese consumers, good for our economies, and good for the planet as a whole.

An example of cooperation among organizations with a different focus is a joint effort between the global environmental NGO, [The Nature Conservancy](#) (TNC), and [Dow Chemical Company](#) (DOW). The partnership is focused on helping identify, value and measure the ecosystem's contribution to organizations and communities around the world. [They are working together to quantify the extent to which companies rely on and have an impact on nature](#). This will help executives elevate the role of ecosystems to their proper importance. When plans for new products or services or plans for expansion and development are being contemplated, the needs of the environment can be given proper consideration. Tools, models and organizational experiences will be publicly shared, resulting in improved business practices and increased opportunities for sound investments in conservation.

We all want a more peaceful, sustainable and prosperous world. I believe our environmental challenges can act as an important catalyst for bringing people together and creating these highly desirable conditions.

**5. Could you please let us know more about you, about your experience and your daily life, such as what you are currently working on and what are you thinking everyday?**

I have three primary interests that take up most of my time. First, I still do some investing work for myself and others. This work keeps me grounded and forces me to keep abreast of what is happening in the world and how decisions made by our leaders today are likely to impact people around the world in the future.

Second, besides writing periodic articles on a variety of subjects, I write two blogs. One is focused on current affairs: [www.wideanglethinking.com](http://www.wideanglethinking.com) and one is for the Times of India's spiritual networking website SpeakingTree: <http://www.speakingtree.in/public/davidschwerin>. Both blogs have been well received by a wide range of readers and I have found many of the responses to my posts to be quite insightful.

Third, I teach and lecture in various venues on a wide variety of topics. Last year in India I gave a talk on ["Enlightened Business Leadership in an Interconnected World."](#) Later in the year I organized a mini conference in conjunction with Dow Chemical Company and the Nature Conservancy that hosted several dozen Chinese scholars and businesspeople. My presentation was entitled ["Leadership for Sustainable Growth."](#) Then about six months ago I made a presentation entitled [The Circle of Life](#) for Pathwork ([www.pathwork.org](http://www.pathwork.org)), an international organization that had one of its books, *The Undefended Self*, published in China in 2009 by Peking University Press. An article I co-wrote with Jan Rigsby about Pathwork's transpersonal psychological concepts was published last year by Wuhan University of Technology and then subsequently re-published by China People's University. [The article can also be found on the Chinese Academy of Social Sciences' website.](#)

My wife and I have traveled to many countries and I find it most heartening to see how people everywhere are trying to find solutions to many of the same issues. In the last dozen years I have done five lecture tours in China and spoken about Socially Responsible Business practices (also known as CSR – Corporate Social Responsibility) to over forty audiences – academics, businesspeople, political leaders – throughout the country. Over the years I have noticed a dramatic increase in the environmental consciousness of China's citizens. For instance, during my first trip to China in 2001 the common audience reaction to my pitch for more attention to the ecosystem was that rapid economic development had to be the first and only priority of the country's leaders. While this was understandable given the significant level of poverty in the country, it was difficult for me to convince anyone that neglecting the environment would have serious negative consequences and the environment needed to be made as important as economic growth. Most people also felt that it was up to the government to "fix" all problems and that individuals and organizations could do very little to help correct economic and environmental challenges. Now, perhaps partly due to my book *Conscious Capitalism* and others like it and lectures given by numerous people on socially responsible business practices, both individuals and the business community have dramatically changed the priority they give to the environment and their role in protecting vital natural resources. In addition, the Central Government's encouragement of the SRB movement has been a great help in bringing this more enlightened way of operating a business to the attention of a wide audience.

I have been blessed in many ways and I feel it is my obligation to pass on what I have learned and help others avoid the mistakes that I and others have made over the past decades.