

The economic system of capitalism: Time to change functioning?

What capitalism is is clear to many: make a profit and ensure the continued existence of the company, based on private ownership of the means of production and the creation and manufacturing of goods and services by businesses and industry. But within the entire chain from mining to consumer benefit there are many ideas and opinions about how that profit (and burdens) are distributed.

In this time, it appears that economies (we the people) have caused considerable damage to the earth and everything that grows, resulting in major adverse consequences. The result of this is, among other things, that attention increased to ways to prevent and to curb environmental risks.

One way is the idea (and implementation) of 'ESG'- factors. Environmental risks created by business activities have actual or potential negative impact on air and land, water, ecosystems, and human health (1). 'ESG' is considered as an instrument, as a social contract between earthlings and earth, to provide and maintain sustainability.

But is 'ESG' indeed the magic potion to prevent capitalism from eating itself up if the functioning of the economic system of capitalism will not be adjusted?

Our economies need to move away from corporate-profits only and zero-sum game for environment and social life. Although 'ESG' is not a panacea and sometimes hijacked by companies to profile as sustainable, the 3 factors in measuring the sustainability and societal impact of an investment in business are of influence on the economic system.

But what do the standards look like to be able to measure? And the purpose of a company will need to change appropriately and then properly implemented, while at the same time integral reporting is needed for accountability.

**Change start with
and through people,
not systems.**

There's no central plan on how to proceed and on the work in progress of 'ESG'. Many business sectors, government departments, investors, organizations, researchers, advisory services, policymakers, international networks, stock-markets, rating industries are involved in the 3 factors. And who determines the agenda, who takes the lead for an unambiguous approach, and what it takes to bring inclusive capitalism into practice?

Meanwhile, the importance of 'ESG' within business has grown and better standards in order to contribute to a better environment and better working conditions are increasingly met. But there are still many barriers to overcome: legislation and regulation, definitions and determination of standards and correct explanations of outcomes and results.

In Europe there's the Green Deal, which means step by step obligations for companies to focus on people, environment and societies: a part of this is the CSR Directive to embed sustainable objectives in the companies' strategy and to publish regular reports on the social and environmental impacts of their activities (2).

Doing nothing is not an option: to limit further damage to the planet, there must be a tool to manage, to assess and to monitor impacts of our business operations on environment and societies. But we also have to contend paradoxes: when it is claimed that 'ESG' measures environmental goodness by how little humans impact Earth, Sri Lanka has received an ESG score of 98 out of 100, while the country is broke (3). And Croatia will enter the eurozone 1-1-2023 but no data has been released on 'ESG'-ratings.

Ignoring 'ESG' not only could impact business profitability but also governments' credibility, who can expand the balance of payments with an element for 'ESG'. It can become that 'ESG'-ratings will have effect on countries' sovereign borrowing costs.

Thus there is the need for change and urge to proceed work in progress. Setting materiality thresholds for 'ESG' disclosures is sensible, as is working with appropriate governance model(s) (4).

- (1) [Inside the Congo mines that exploit children](#)
- (2) [Corporate sustainability reporting \(europa.eu\)](#)
- (3) [Green Dogma Behind Fall Of Sri Lanka](#)
- (4) [designing-sustainability-governance-report-march2022.pdf](#)

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