THE DIGITAL ECONOMIST

Opinion Piece

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"It's a Bird, It's a Plane..."

Capitalism is sustainability's superhero savior, not its archnemesis.

SUSTAINABILITY | CAPITALISM | CLIMATE CHANGE

It is time to move on from trying to put sustainability thinking into business and instead start putting business thinking into sustainability. The current approach is taking too long. Even after twenty-nine yearly COP meetings, fourteen yearly Climate Weeks, and untold numbers of net-zero and climate pledges, the world is still facing record carbon emissions, the global temperature continues rising, and biodiversity is declining (Pandey 2025; Abnet et al. 2024; Dasgupta 2024). The collective evolution of businesses and governments moving to sustainability is not happening fast enough.

This is strange, considering UN data shows that climate change is a widespread concern (UNDP 2024). Globally, 56 percent of people surveyed said they were thinking about climate volatility daily or weekly. Additionally, 53 percent of people worldwide are more worried about climate change now than they were a year earlier. In a 2023 Pew Research Center survey, 72 percent of Americans care "a great deal" or "some" about climate change, and 63 percent expect climate impacts to worsen in their lifetime (Tyson et al. 2023).

Similarly, sustainability is no longer a back-burner concern for businesses. Climate volatility and the accompanying impacts are actively shaping business strategies (Mainwaring 2025). Yet despite mounting evidence of an existential ecological threat, many leaders struggle to kindle widespread enthusiasm for truly transformative sustainability initiatives. I stress enthusiasm over fear here because, while both can be powerful motivators for behavior change, research suggests that positive emotions like hope and excitement lead to more sustainable, long-term change [Schneider et al. 2021]. Fear of negative consequences triggers immediate reactions through people's innate aversion to loss, but excitement fosters a deeper, stronger drive to embrace change. Instead, some leaders remain content with incremental changes that fail to match the scale of the coming climate crisis.

One of the core reasons leaders struggle to build enthusiasm for sustainability is their reliance on cosmetic measures. Rather than championing immediate, large-scale structural changes, many opt for marketing-heavy campaigns that tout what are essentially minor green improvements. Take the overall idea of the Net-Zero by 2050 goal (IEA) as an example. Originally issued in 2020, it provides a thirty-year runway for emissions reductions—half a lifetime (Dattani 2024). For many, it can be perceived more like “kicking the can down the road” than addressing a pressing crisis head-on. For people seeking genuine impact, specious marketing rings hollow and fosters skepticism and disappointment rather than excitement. This disconnect is compounded by the prevalent short-term mindset of investors, big and small (Barcelo 2019). For many investors, quarterly earnings often take precedence over ambitious, longer-term investments in sustainable initiatives that can generate large returns but over a longer time horizon.

Moreover, leaders overlook the power of transparency. Many assume that “doing good” behind closed doors is sufficient, but in a world where scrutiny is high, stakeholders expect consistent communication and verifiable targets. Failing to fully disclose environmental commitments or report honestly on the impact of sustainability initiatives only undermines credibility with all audiences (Fisher 2023). As a result, the public grows wary of greenwashing (or greenhushing, green-rising, etc.). It not only clearly hurts the bottom line, but it also invariably causes enthusiasm for corporate-led sustainability initiatives to evaporate (Ioannou 2022).

Ironically, the very engine of modern commerce—**capitalism**—offers a path out of this predicament.

Recent flirtations with socialism reflect understandable frustrations from widespread disillusionment with rising economic inequality and corporate excess, which have, in turn, eroded faith in capitalism as both an engine of prosperity and a means to “do good” (Wike et al. 2025). At the same time, socialist concepts—such as emphasizing equitable wealth distribution, robust social safety nets, and increased public investment—continue to gain traction.

However, while the growing popularity of socialism (especially among younger people) reflects understandable frustrations with capitalism's flaws, these flaws are not inherent to the system itself (Orlandi 2025). When harnessed properly—with safeguards and long-term planning—capitalism's market forces can drive innovation, create wealth for all, and even resolve many of the problems critics attribute to it. Ultimately, a properly regulated capitalist system has the potential to self-correct, fostering a balance that benefits all—buyers and sellers, workers and management, consumers and producers alike. There is no dogma from Adam Smith that says capitalism must be stripped of any humanity and only incentivize and reward short-term financial gain at the expense of the broader social good.

Properly harnessed, capitalism motivates innovation, competition, and market-driven solutions that can drive progress in sustainability initiatives. The key lies in aligning the incentives of investors, managers, and consumers so that environmentally responsible practices become not a moral choice that people are guilted into but instead a financially attractive one that people are drawn to. When profit and planet converge, businesses have strong incentives to find new ways to reduce waste, lower emissions, and adopt sustainability initiatives to increase the bottom line.

Capital markets are already signaling that investing in sustainability is a competitive edge (Bartel 2024). Over the past decade, investors have increasingly channeled capital into companies with robust sustainability performance because they recognize that companies addressing and mitigating climate risks and resource constraints are future-ready and better positioned for long-term success (Institute for Sustainable Investing 2024). Consumers, too, are rewarding brands that demonstrably integrate environmental stewardship into their operations—especially when leaders communicate these efforts transparently and substantively (Reichheld 2023).

Capitalism can include industry collaborations to solve significant systemic challenges. Competing firms sometimes join forces in precompetitive alliances to tackle environmental problems that exceed the capacity of any single entity. These collaborations create shared standards and jointly fund solutions, recognizing that systemic shifts are essential for sustainability. Although unusual by old-school capitalist standards—where every firm guarded its proprietary methods—such coalitions offer an evolving model of capitalism that balances competition with collective action when necessary.

Does it sound improbable that a coalition like this would ever happen? Even the perceived cutthroat land of Wall Street offers several developments in its recent history that can serve as models for pro-capitalist cooperation:

The Depository Trust & Clearing Corporation (DTCC)

Facing increasing risks and inefficiencies due to the original manual nature of clearing and settlement of securities transactions, market participants recognized that a unified, centralized, digital approach was a great way to mitigate counterparty risk, reduce costs, and enhance overall market stability. By pooling their resources and expertise, Wall Street industry players established the DTCC in 1973, which embraced straight-through-processing (STP), streamlined post-trade processes, and provided a robust technical infrastructure that not only bolstered investor confidence but also fostered a more efficient, secure financial system.

The Society for Worldwide Interbank Financial Telecommunications (SWIFT) payment system

The inefficiencies and security vulnerabilities of disparate national payment systems again presented a real risk to banks across the globe. Financial institutions recognized the need for a standardized, reliable, and secure method to communicate financial transactions with each other. By creating SWIFT (also in 1973), the financial industry not only enhanced the speed and accuracy of cross-border payments but also significantly reduced the risk of errors and fraud on a global basis.

The International Swaps and Derivatives Association (ISDA)

Established in 1985, ISDA stands as yet another example of the financial industry collaboration to manage risk and enhance stability. In an era when banks and financial institutions struggled to measure and mitigate the risks of borrower defaults, ISDA created standardized rules and regulations to allow for the widespread trading of derivative instruments (such as interest rate swaps and credit default swaps). By enabling one party to transfer its credit risk to another in exchange for a fee, derivatives allowed institutions to spread risk more evenly, allowing for an increase in the velocity of capital and bolstering liquidity. ISDA not only improved individual corporate balance sheets but also contributed to greater overall market confidence, as it provided a transparent method for pricing and (for a time…) a better tool for managing credit risk.

Collaboration is not a bad word, nor is it inherently socialist. Capitalism is not a bad word, nor does it necessitate unfair, poor outcomes. In our current environment, leaders must reevaluate their strategies to help public and private sector institutions make needed significant strides to mitigate climate risk and position themselves for long-term value creation that can benefit everyone. By leveraging capitalism's inherent strengths—such as incentivization to create rapid transformation, scalable innovation, and efficient resource allocation—business leaders can deliver on their environmental commitments and sustainability initiatives. When capitalism is paired with a genuine commitment to sustainability, one of the results can be a surge of enthusiasm and a transformative impact on environmental goals.

When it comes to sustainability, our allegiance should be more to the philosopher Thomas Hobbes than Immanuel Kant (IEP). However appealing it may seem, we cannot blithely subscribe to Kant's idea that everyone should know enough to do the right thing and then count on them to always do that right thing. Instead, we need to provide economic incentives for sustainability to appeal to peoples' Hobbesian self-interest. It is critical to develop and enhance markets to help companies provide sustainable supply to meet inflexible human demand for goods and services. This is best done by ensuring sustainability is synonymous with profitability to appeal to self-interest.

Capitalism can be guided to reaching sustainability goals with the right stewardship. Consumer pressures, investor scrutiny, and entrepreneurial innovation are steadily redefining the market landscape and can help provide this guidance. Capitalism stands ready to evolve into the preeminent system that generates wealth and economic benefit while also preparing companies for success and stability in the face of climate volatility. There is room and appetite for industry-wide collaboration and for firms to join forces while remaining capitalist as they pursue their sustainability initiatives. What practical shape and form of these collaborations look like is a question for another paper to discuss. While significant challenges remain, if harnessed responsibly, capitalism can be a potent force for environmental resilience, economic freedom, and long-term prosperity that can come from the move to sustainability. Adam Smith wouldn’t want it any other way.

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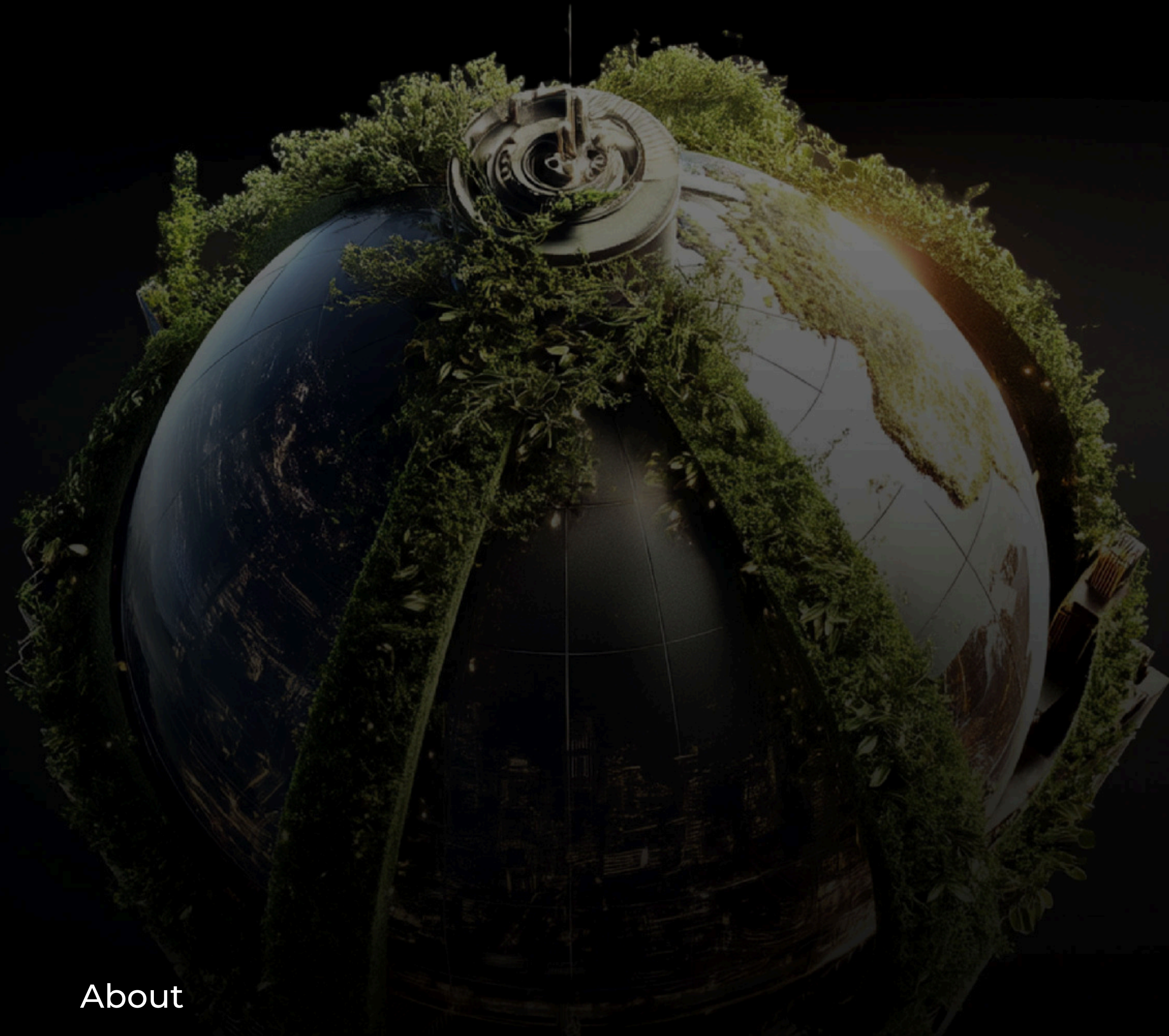

About

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