For American Consumers, a Responsibility Revolution

By Richard Stengel

We have always known that heedless self-interest was bad morals," FDR said in 1937, in the midst of the Great Depression. "We know now that it is bad economics." We learned this all over again after the collapse of Lehman Brothers, the shame of subprime mortgages and the brazen Ponzi scheme of Bernie Madoff. But even amid the Great Recession of 2009, people have been trading in their SUVs for Priuses, buying record amounts of fair-trade coffee and investing in socially responsible funds at higher rates than ever before. What we are discovering now, in the most uncertain economy since FDR’s time, is that enlightened self-interest — call it a shared sense of responsibility — is good economics. (Read TIME’s interview with President Obama and First Lady Michelle Obama on service.)

America has always been a great laboratory of social innovation, from Ben Franklin’s creation of the volunteer fire department and the lending library to the rise of online collectives like Wikipedia and Facebook. Usually it has been an invention, some innovation in commerce — the car, the lightbulb, the television — that has changed how we interact with one another as well as how we think of ourselves. We are again entering a period of social change as Americans are recalibrating our sense of what it means to be a citizen, not just through voting or volunteering but also through commerce: by what we buy. There is a new dimension to civic duty that is growing in America — it’s the idea that we can serve not only by spending time in our communities and classrooms but by spending more responsibly. We are starting to put our money where our ideals are.

According to a new TIME poll, more than 6 in 10 Americans have bought organic products since January. Lots of us have bought an energy-efficient lightbulb too. And it's not just the nature of the product but also its provenance that's prompting us to buy. Of the 1,003 adults we polled this summer, 82% said they have consciously supported local or neighborhood businesses this year. Nearly 40% said they purchased a product in 2009 because they liked the social or political values of the company that produced it. That's evidence of a changing mind-set, a new kind of social contract among consumers, business and government. We are seeing the rise of the citizen consumer — and the beginnings of a responsibility revolution.
See TIME’s special report on community service.

This is a new idea in a nation where our most iconic economist, Milton Friedman, wrote in 1970 that a corporation's only moral responsibility was to increase shareholder profits. Since 1995, the number of socially responsible investment (SRI) mutual funds, which generally avoid buying shares of companies that profit from such things as tobacco, oil or child labor, has grown from 55 to about 260. SRI funds now manage approximately 11% of all the money invested in U.S. financial markets — an estimated $2.7 trillion.

Corporate America has discovered that social responsibility attracts investment capital as well as customer loyalty, creating a virtuous circle. With global warming on the minds of many consumers, lots of companies are racing to "outgreen" one another, a competition that is good for their bottom lines as well as the environment's. The most progressive companies are talking about a triple bottom line — profit, planet and people — that focuses on how to run a business while trying to improve environmental and worker conditions.

It's a new way of looking at a concept as old as the Republic. Ever since colonists in Boston refused to buy British tea, Americans have wielded their economic clout as a weapon against — and, sadly, sometimes for — social injustice. In the U.S., the power of the purse is the most democratic power of all. The Quaker notion of doing well by doing good — popularized by Ben Franklin, the patron saint of social entrepreneurs — predated the predatory capitalism of the Gilded Age. Its revival is due in part to an Obama effect: as a presidential candidate, Barack Obama relentlessly touted green products and industry and preached the idea that profits and principles are not mutually exclusive. His election was both a cause and an effect of this sense of social responsibility: his candidacy capitalized on this evolving mind-set, and he has done more than anyone else to advance it. "I think our campaign was an expression of people wanting to be engaged and involved in different ways," Obama said in an interview in the White House this month. "They wanted to be part of something larger than themselves."

But long before Obama started talking about how green is the new gold, many corporations discovered that business was about a lot more than a profit-and-loss statement. At first, the corporate stance was defensive: companies were punished by consumers for unethical behavior. In the 1990s, companies like Nike and Walmart were attacked for discriminatory and unfair labor practices. People became alarmed about "blood diamonds," or "conflict diamonds" — gems mined in war zones and used to finance conflict in Africa. More recently, consumers have become concerned about the sourcing of metals used in computers. The nexus of activist groups, consumers and government regulation could not merely tarnish a company but put it out of business. Companies also began to realize that just as some consumers boycotted products they considered unethical, others would purchase products in part because their manufacturers were responsible.

Some companies embraced the new ethos early on. In 1992, Gap developed sourcing guidelines for its suppliers, and in 1996 the company put in effect a code of conduct for them. Since 2004, Gap has been
publishing information about the factories it uses and those it has stopped doing business with. Last year HP followed suit, becoming one of the first computer manufacturers to apply similar transparency to its global supply chain. Timberland now prints a detailed label for its shoes, noting on each pair the company’s material and energy usage.

None of this would have happened without consumer demand. Nearly half of Americans in our poll said protecting the environment should be given priority over economic growth — and this comes in the midst of a recession and historic unemployment. And 78% of those polled said they would be willing to pay $2,000 more for a car that gets 35 m.p.g. than for a similar one that gets only 25 m.p.g. Of course, consumers are doing their own doing-well-by-doing-good calculation: a more expensive car that gets better gas mileage will save them money in the long run — and make them feel good about it in the process.

See 21 ways to serve America.

Many companies are trying to reconfigure their DNA as profit seekers. Take Walmart. Once the poster child of corporate ruthlessness, a retailer whose business model of undercutting all of its competitors would have been applauded by Friedman, Walmart has resolved to change its way of doing business for the sake of the future of the planet. The company has required its suppliers to reduce packaging to protect the environment and is trying to boost sales of energy-efficient lightbulbs by giving them more shelf space and better placement in stores. In July it announced it is developing a sustainability index that will one day show consumers at a glance how green its products are. (The initiative will be run by a consortium, coordinated by academics and supported in part by companies such as Procter & Gamble, PepsiCo and General Mills.) But Walmart is far from perfect. While the company has made great strides on the environmental front, it still has a ways to go on the labor front, especially in ensuring fair treatment for the people in developing countries who work for its vendors.

Other companies are ratcheting up their responsibility commitments. Intel, the world's largest chipmaker, says it plans to increase investment this year in energy efficiency that will help the environment and cut costs. Mars and Cadbury have unveiled plans to increase the amount of cacao they harvest from sustainable sources because it is good for the environment and will also relieve potential shortages in the future. The high-end stroller company Bugaboo just announced it is joining the multibrand (RED) campaign — think Gap, Apple, Bono — and will start contributing 1% of its total revenues to the Global Fund that helps AIDS programs in Africa. That's 1% of Bugaboo's revenues, not profits.

One question is, How much of all this is just shrewd marketing to give companies a halo effect? Participants in high-profile efforts like the (RED) campaign — which has raised $135 million in three years — have been criticized for spending a bundle on marketing. Meanwhile, a New York environmentalist named Jay Westerveld coined the term greenwashing for companies that spin their products as being more environmentally friendly than they really are. Chevron is among the firms that have been sued for greenwashing, accused of undermining a biodiesel project while attempting to enhance its green cred.
Chevron denied any wrongdoing.

That's one reason Walmart's plan to standardize a sustainability index is so important. If companies are really improving their carbon footprint — and, one hopes, the way they treat their workers — in order to improve their image and engender consumer loyalty, isn't that a net good thing? And if they are doing it exclusively to help their bottom line, so what? "I don't care whether companies change for the love of the environment or because of their financial interest," says Geoffrey Heal, a Columbia Business School professor and the author of _When Principles Pay_. "The most sustainable solution is to have companies responding to financial incentives rather than their own feelings."

In other words, good stewardship is good business. A 2007 Goldman Sachs study found that companies with a strong emphasis on sustainability outperformed the market, often by a large margin. A recent PricewaterhouseCoopers report said companies that report sustainability data get better returns on their assets than those that don't.

It's not just big companies that are doing well by doing good. Increasingly, social entrepreneurs are starting companies rather than nonprofits, to capitalize on the power of the market to create public benefit. And some of these entrepreneurs are choosing to form "B Corporations," a new corporate structure that requires enterprises to build into their foundation strong social and environmental standards for their operations. More than 220 companies, whose combined revenue tops $1 billion, have become B Corps since their certification began in 2007.

That's an impressive start but still a small number. Not everyone in America embraces the idea of corporate social responsibility (CSR) or ethical consumerism. Only 59% of the 1,000 largest U.S. companies have publicly available environmental policies. Fewer than 8% of companies go to the trouble of having a third party verify their CSR reports, which many consumers don't bother to read. As Jeff Swartz, CEO of Timberland and a leader in corporate responsibility, noted recently, "The vast majority of our consumers buy Timberland products because the shoe fits ... not because we maintain a measurably higher standard of human-rights practice."

Our poll found Americans divided pretty evenly into three categories we're calling the Responsibles, the Toe Dippers and the Skeptics. The Toe Dippers embrace some of the ideas of responsible consuming but don't act on many of them, while the Skeptics just think Friedman was right.

The Responsibles, however, are in the vanguard and represent 38% of Americans 18 and older, or about 86 million people. They are more likely than Toe Dippers or Skeptics to be female, married, African American and college-educated. They tend to be well-off but not wealthy, and they have done many things that people in the other groups haven't, such as buying a household appliance on the basis of its energy rating or a product because they like the values of the company that made it. While they are particularly concerned about the environment, they are much more willing than the others to pay more in federal taxes to deal with social issues like universal health care. They do not fit neatly into any political category:
a third are liberal, 37% are conservative, and 28% are moderate. They are younger than the Skeptics and more diverse and look more like what America will look like in 20 or 30 years.

These days, some companies are cutting back on their philanthropy but less so on their CSR initiatives. The only thing that has sunk lower than the public's opinion of Congress during this recession is its opinion of business. Social responsibility is one way to get it back. Consumers too can make ethical choices. You may be stressed out by the economy, but your civic duty is starting to kick in at the cash register. Just don't let it end there. — With reporting by Jeremy Caplan

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