

## BOOK REVIEWS

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### **Financing Change: The Financial Community, Eco-efficiency and Sustainable Development**

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**By Stephan Schmidheiny and Frederico J.L. Zorraquin with the World Business Council for Sustainable Development**

Cambridge, Massachusetts: The MIT Press, 1996, 240 pp, \$22.50 cloth.

Reviewed by William R. Moomaw

[W]e too must take a bold step and argue that sustainability should become a criterion of financial market decisions . . . as it becomes more obvious that civilization requires it. The idea of giving financial markets a "sustainability reflex" may today appear novel, radical, even intrusive and misguided. But markets, driven by forces both within and without are developing such a reflex. . . . If it does not happen, or does not happen fast enough, an unsustainable human population will descend towards poverty and chaos. (p. 240)

The paradigm shift from a conflict between environmental protection and economic development goals to sustainable development began in 1987. The World Commission on Environment and Development argued in *Our Common Future*<sup>1</sup> that maintaining a sound environment was essential to development if we are to meet the needs of the present generation without compromising the ability of future generations to meet theirs. The commission also concluded that raising countries out of poverty was essential to generating the wealth needed to protect the natural environment.

It was a bold move in 1992 to bring the transnational business community to the table at the United Nations Conference on Environment and Development in Rio de Janeiro. Stephan Schmidheiny, a Swiss national and chairman of ANOVA Ltd., was selected to bring the support of business leaders to the concept of sustainable development. His co-author for this volume is Frederico J.L. Zorraquin, an Argentine business leader who, along with Schmidheiny and 121 other world business leaders, is a member of the World Business

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Council for Sustainable Development (WBCSD). This organization, which grew out of the Rio Summit and the International Chamber of Commerce, has taken on the tasks of selling the transnational business community on the idea that they must be proactive in addressing environmental concerns and convincing the rest of the global community that encouraging the private sector through free markets and free trade is the best hope for meeting the needs of the world's expanding population in an environmentally acceptable manner. Indeed, this book goes further and argues that *unless* the business community takes on this responsibility and financial markets and actors incorporate sustainability into their information and transactions, the prospect for the planet and its people is a grim one of "poverty and chaos." By any measure, the positions argued here represent a radical departure for business and economic development.

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sustainability into their information and transactions, the prospect for the planet and its people is a grim one of "poverty and chaos." By any measure, the positions argued here represent a radical departure for business and economic development.

The central thesis of *Financing Change* is that regardless of how supportive of sustainability goals a corporation and its management might be, it can do little unless its actions are acknowledged by the market. The financial sector plays a critical role, according to this account, in assuring that eco-efficiency and other environmentally benign practices are rewarded.

One obvious group that has an interest in the environmental dimensions of international business is the casualty insurance industry with its concerns over asbestos, toxic waste liability, and the role climate change may be having in their large losses from hurricanes over the last decade. The book goes on to explain that not only insurers, but also investors, analysts, bankers, accountants and raters must act to move the global economy onto a more sustainable path, and why it is in their interests to do so.

The book strongly supports the use of economic policy instruments to encourage greener production. The "polluter pays" principle and the internalizing of environmental costs are also endorsed by the authors and the WBCSD. For example, the book roundly condemns subsidies that promote pollution and comes out in favor of eco-taxes on polluting products to raise their cost relative to cleaner alternatives. The caveat is that such taxes must be introduced gradually and with certainty so that business can make the transition to cleaner production without leaving behind large amounts of stranded capital investment. Eventually, the WBCSD envisions a shift of taxes away from employment and capital creation and onto pollution and the misuse of resources. The book also favors the development of a green GNP measure for standard national accounts (SNAs). The authors recognize that cleaning up pollution and treating illnesses arising from pollution should not be added to

GNP, as is done currently, and that some means of accounting for resource depletion and degradation needs to be incorporated into SNAs.

Following Schmidheiny's first book on business and sustainable development, *Changing Course: A Global Business Perspective on Development and Environment*,<sup>2</sup> this volume refines the rationale for the private sector's central role in achieving sustainability and explores the potential of the financial community to make it happen. The authors argue that today it is transnational corporations that are raising environmental and efficiency standards in developing countries and providing much of the funding for economic development. Direct private investment in developing countries, which five years ago was comparable in size to foreign assistance, is now four times larger. Furthermore, while private investment continues to grow, foreign assistance is dropping rapidly. If developing countries are to achieve anything like the economic growth that they need to alleviate poverty, it is imperative for the private sector to act now. One issue not adequately addressed in this book is that most private direct investment is concentrated in only about a dozen countries. If the private sector does not wish to invest, and government assistance from industrial countries is dropping, then what will become of the unfavored economies of the majority of countries?

The present financial community is relatively ignorant of issues such as environmental liability, regulatory delay, and market and competitive disadvantages of eco-inefficient firms, as well as the success stories of firms that have been able to capitalize on green production. Yet, potential environmental liability from decades of mismanaging hazardous waste is a major impediment to private investment in Central and Eastern Europe. The authors envision a kind of Standard and Poor's<sup>3</sup> rating system for environmental liability as part of financial assessment. These rating agencies would complement the work of future accountants trained to track increases or decreases in the use and release of hazardous materials while keeping tabs on more conventional assets and liabilities. Accountants may also become the developers of internationally recognized standards for a range of environmental and social practices, such as clean production and avoidance of child labor. Bankers could expand on low-interest efficiency mortgages by recognizing that borrowers who use less energy or produce fewer pollutants have more money available to meet their loan payments. Only when corporate economic performance is seen to depend upon a company's environmental and regulatory compliance costs, and its actual and potential environmental liability, will analysts recommend and investors move their money behind those firms that are operating sustainably.

*Financing Change* is an unapologetic call for the private sector—rather than governments—to lead the shift to sustainable development. The call for internalizing environmental costs and shifting taxes to discourage pollution and wasteful use of resources could dramatically shift the balance sheet of corporations. With or without these policy changes, the financial community is called upon to play the major role in identifying the eco-efficient firms for investors. Corporate leaders and the financial community, in combination with appro-

priate governmental policy, have the capacity to bring about the economic revolution that will put the planet on a sustainable trajectory, even in the developing world. While a number of corporations have become more eco-efficient in their production, it is by no means certain that a majority of profit-driven corporations can or will support the policy changes advocated here, or that they will find ways to make larger profits through making greener goods. It is to be hoped that more of the corporate and financial communities will take the advice offered by Schmidheiny and his corporate associates and move quickly to implement it.

### Notes

1. Oxford University Press, 1987.
2. MIT Press, 1992.
3. Standard & Poor's Corporation, a New York-based subsidiary of McGraw-Hill, Inc., provides a wide range of investment rating and analysis services.



# Temptations of a Superpower

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by Ronald Steel

Cambridge, Massachusetts; London, England: Harvard University Press, 1995, 144 pp., \$10.95 paper, \$18.95 cloth.

Reviewed by David Palmieri

The twentieth century, the American Century, has inspired extreme opinions concerning the United States, but as the nation slowly loses the power to dominate global events, more balanced assessments are coming into view. Inside the borders, both liberal and conservative Americans have more realistic visions of the country at the century's end. In truth, the United States is neither the demented ogre of the 1960s and 1970s and the Vietnam War, nor the Archangel Michael of the 1940s—self-righteously slaying the dragons of Europe and Asia.

American liberalism has known both glory and shame in the American Century. The political tradition that brought the United States onto the world stage has, on several occasions, fatally misinterpreted the nation's interests, and liberal analysts have often been less astute than leftists and conservatives in their assessment of global politics. Clear-eyed, hardheaded American liberalism has no more able a foreign affairs analyst than Ronald Steel, an editor at the *New Republic* and professor of international relations at the University of Southern California. For over 30 years, first as a freelance journalist, then as an academic, in the books *The End of the Alliance* (1964), *Pax Americana* (1967), and *Imperialists and Other Heroes* (1971), Steel has been developing a sagacious and iconoclastic body of writing on American foreign policy.

In November 1993, Steel gave a series of lectures at the Library of Congress that have been collected in *Temptations of a Superpower*, a short book that distills arguments the author has made throughout his career. *Temptations of a Superpower* is also Steel's first book since *Walter Lippmann and the American Century* (1980). Steel worked for nine years on his biography of Walter Lippmann, and his reputation still stands largely on that work's quality. Steel thoroughly and imaginatively examines Lippmann, perhaps the finest political journalist in the nation's history, creating more than a simple biography. Using Lippmann's life as a backdrop, *Walter Lippmann and the American Century* also tells the story of U.S. relations with the world, from the country's emer-

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gence as a power in Asia in 1898, after the Spanish-American War, until its pathetic misreading of that continent's politics in the 1960s.

In Steel's latest book, globalism is said to be the great temptation of the American superpower. In the post-Cold War era, he argues, the nation must concentrate on its long-neglected domestic problems. It is an illusion to believe the United States can unilaterally lead strong-willed nations, make the world stable, or impose democracy, and these illusions cannot be allowed to distract the country from facing "the highest rates of illiteracy, malnutrition,

infant mortality, violent crime, homelessness, imprisonment, and poverty in the industrialized world" (p. 123).

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Today, there are no hostile alliances aimed at the nation's territories or values; the collapse of the Soviet Union has left America bereft, searching for a role. For the first time since 1940, when lend-leaser Franklin Roosevelt defeated one-worlder Wendell Wilkie, the American political discourse has come home.

Of course, the United States has a role to play in the world. Steel bases his view of that role on the nation's interests and morality. Following Lippmann, he makes the case for spheres of influence. In 1943, Lippmann described the American sphere of influence in *U.S. Foreign Policy: Shield of the Republic*. Lippmann accepted the Monroe Doctrine, which committed the United

States to defend North and South America. In the Pacific, he drew a line south from Alaska to the American colony of the Philippines and placed the waters and islands between the California coast and that line in the American sphere. A confirmed Atlanticist, Lippmann considered the Atlantic an Anglo-American lake and felt that no third nation should ever be allowed to project its military power into it. In all, Lippmann determined that 50 percent of the globe's surface was within America's defensive commitment, clearly more than enough territory for any nation to mark out and defend. Steel continues to view the United States as an Atlantic and Pacific naval power, but he abandons the Monroe Doctrine and shrinks the American territorial sphere of influence to North America and the Caribbean, a difference in perspective that illustrates the United States' diminished responsibilities at the turn of the twenty-first century.

Outside the U.S. sphere of influence, Steel argues for American military intervention in cases of genocide, but he distinguishes between allegations of genocide in the wars in Rwanda and Bosnia. While he feels the United States should be ashamed for not having joined France to help end the Hutu massacre of the Tutsis in Rwanda, he argues that the ethnic cleansing in Bosnia is "taking place in the context of a traditional war over territory" (p. 130). This statement will not please the many Americans enraged by the rapes and mass

murders committed by the Bosnian Serbs. Nevertheless, as Steel learned from Lippmann, the most vital interest of the United States in Europe—and in Asia—is in ensuring that no one country dominates the continent and turns its resources against North America. When civil war in the former Yugoslavia reaches a definitive conclusion, the war criminals should be punished. Their atrocities, however, have never posed a threat to the United States, nor do they meet Steel's strict definition of genocide.

Steel criticizes foreign policy elites who enjoy running the world and ignoring popular opposition to their adventures. More Vietnams are possible, even without the Cold War, led perhaps by a leader intoxicated with the idea that America is the world's sole superpower. Theodore Roosevelt's imperialism and Woodrow Wilson's idealism, when combined, brought the nation into the Vietnam War. The contradictory compulsions to manipulate other countries while making them democratic could lead to another catastrophe.

Rhetoric about making the world democratic comes, of course, from Woodrow Wilson, America's most idealistic president. Despite a momentary enthusiasm for Wilsonian rhetoric during the Gulf War, Wilson has been severely criticized in the 1990s—both by conservatives such as George Will and liberals such as Steel. The violent breakup of Yugoslavia under the banner of Wilsonian self-determination made that criticism inevitable.

Wilson has been a scapegoat for a long time. His idea of self-determination, in particular, is criticized on moral grounds by Steel. Self-determination taken to an extreme encourages intolerance, often leads to violence and contradicts the American experience. Steel's impressive analysis falls short when confronted with this painful issue, for small nations calling to freedom based on their religious and linguistic identities are not going to disappear from history soon. American individualism blinds Steel and other critics of Wilson. Americans are immigrants, detached from the land and preoccupied with the future. Elsewhere, people feel close to the homes and legends of their ancestors. Unlike Woodrow Wilson, Steel and most American intellectuals have never come to terms with ethnic self-determination. Yet, the majority of mankind identify themselves through their language, religion and native land, not through their work, possessions and dreams for the future. Americans are not the norm, and, although their culture is familiar everywhere, for the world, the American way of life is more a diversion than a model. Thus, Steel's criticism of Wilsonian self-determination is uncharacteristically parochial, the weakest point of an otherwise strong argument.

On firmer ground, Steel also dismisses the other pillar of Wilson's vision, collective security. The idea that nations should band together to punish aggressor states has become popular again, for it allows governments to hide

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their foreign policy behind the cloak of international organizations such as the United Nations. Lippmann criticized collective security because it discourages the forming of alliances, which, like spheres of influence, was a cornerstone of his vision of national security and international sanity. Steel also argues against collective security because it exaggerates disputes between small nations and leads to interventions in remote corners of the globe. This argument updates Lippmann's, who eloquently reached the same conclusion in 1944, the year before the United Nations' founding: "We must not write into the constitution of the world society a license to universal intervention," Lippmann explained. "For if we license it, we shall invite it. If we invite it, we shall get it."

As is altogether proper, Walter Lippmann's spirit hangs over *Temptations of a Superpower*. The biographer sat at the master's feet for many years, and like Samuel Beckett as James Joyce's literary apprentice, Steel cannot be described as a writer who has either surpassed or fallen short of his mentor. Like Beckett, Steel has simply absorbed a great predecessor and created a distinctive voice through him. What is Lippmann's legacy? The philosopher's pursuit of truth through the medium of American politics and foreign policy. In this small book, Steel is, as Lippmann was, truth's pilgrim at the plow.



## In Pursuit Of Peace: A History Of The Israeli Peace Movement

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by Mordechai Bar-On

Washington, DC: United States Institute of Peace Press, 1996, 492 pp., \$24.95 paper, \$37.50 cloth.

Reviewed by Vincent O'Neil

Mordechai Bar-On's book on the Israeli peace movement is a meticulously researched and concisely written description of Israeli efforts to find a lasting solution to the protracted conflict with its neighbors. While focusing on the efforts of various Israeli peace movements dating from the birth of Israel to the present, Bar-On also details the entire history of the conflict and negotiation between Israel and its Arab neighbors. This work is an excellent source for insight into the Israeli peace movement, as well as understanding of the long history of this conflict.

Bar-On was a member of the Israel Defense Forces (IDF) for 20 years, from the birth of the state of Israel until 1968. He was later elected head of the Youth Department of the World Zionist Organization. When he retired from that post in 1978, he became a vocal activist in Peace Now, a grassroots peace advocacy group. These different pursuits give Bar-On the unique perspective of a senior soldier, politician and political activist—a perspective that allows him to make shrewd and incisive observations. The one questionable aspect of his work, however, is Bar-On's assertion that the majority of Israelis support the land-for-peace platform of the activist movement—an assumption challenged by the 50.4 percent majority that elected Benjamin Netanyahu prime minister in May 1996. Nevertheless, Bar-On's handling of this involved and difficult topic is informative and illuminating. This is a work for anyone interested in the present state of the peace process in the Middle East.

Bar-On begins his book with the first plan for the partitioning of Palestine into two states and ends just after the assassination of Yitzhak Rabin. In the process, he details the personalities, motivations and actions of Israel's peace activists. Bar-On also relates several important and often unpublicized stories, such as the early participation in the peace movement by serving members of the IDF, the impact of the Israeli occupation of southern Lebanon on the Israe-

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li populace in the early 1980s, and the schism that exists between Israelis of European and North African descent. In this way, he not only demonstrates his own mastery of the subject, but also illustrates the enormous complexity of this issue.

As mentioned above, the work's major shortcoming is its assertion that a majority of Israelis support the peace movement and that such support has continued despite the PLO's backing of Saddam Hussein in the Gulf War and in the face of numerous terrorist attacks. Although Bar-On focuses on the personalities of the peace activists, emphasizing the movement's broad and diverse base of support, the book certainly leaves the impression that most Israelis favor peace at a high and uncertain cost.

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Oddly, Bar-On deftly illustrates the daunting effect the *Intifada* had on the Israeli populace while almost disregarding the galvanizing effect of the PLO's support for Iraq in the Gulf War. Bar-On also correctly points to the negative effect that televised scenes of Israeli repression in Gaza had on the average Israeli, but he fails to emphasize the outrage of that same Israeli populace at scenes of Palestinians cheering as Scud missiles flew over their homes. Although he does mention that, after the Gulf War, the PLO's support for Saddam Hussein cost Yasser Arafat dearly at the negotiating table, Bar-On still gives

the impression that this ill-advised decision by the PLO had little lasting effect on the Israeli electorate. While the election of Benjamin Netanyahu admittedly occurred after the book's publication, it is a weakness of this work that it suggests the peace effort will go forward with widespread popular support regardless of the cost.

Another small problem with the work is the vocabulary chosen by Bar-On. Members of the peace movement are referred to as "peaceniks" in the same way that people raised on a kibbutz are sometimes called "kibbutzniks." While perhaps a common and non-derogatory term for Israelis, most Americans would read the term "peacenik" and envision a radical pacifist. Serving members of the IDF would not normally be considered radical pacifists, even if they advocate peace negotiations. Bar-On also uses Hebrew words that may be unfamiliar to the lay reader without explaining these terms.

These deficiencies are minor when considered in light of the rest of the work, however. Bar-On not only describes historical events, he explains how different groups interacted and how various events were perceived by different audiences. He also delves into the diverse methods currently being used to promote dialogue in protracted conflicts—a beneficial, if unexpected, by-product of this work.

One of Bar-On's major points is the lack of dialogue that existed for so long between the parties to the conflict and why this was the case. One striking comment mentioned by both Israeli and Palestinian negotiators was that for

many years "there was no one to talk to" (p. 322). The reasons for this are numerous and lead to the heart of one of the conflict's prime difficulties: neither side wanted to negotiate from a position of strength *or* weakness. For many years, Israeli officials saw no reason to discuss the return of lands they had taken in battle; this was as much an indication of overconfidence as of unwillingness to risk losing with words what Israeli soldiers had won with blood. The various Arab negotiators felt there could be no meaningful discussion until the lands taken from them were returned. A similar impasse existed in the steadfast refusal by both Palestinian and Israeli leaders to recognize each other's right to a homeland. Furthermore, support for dialogue was often portrayed by both sides as treasonous assistance of the enemy.

Another attribute of the book is its explication of significant events in the history of the Arab-Israeli conflict. Bar-On points out, for example, that while the Israeli victory in the Yom Kippur War convinced most of the world that the Israeli Army could not be defeated in battle, it actually shook the confidence of many professional Israeli soldiers. This led to the famous "Officers' Letter," in which several highly decorated veterans implored the Knesset to begin peace negotiations with the Arabs in order to prevent further bloodshed. Another example is the impact on the Israeli populace of the prolonged occupation of Lebanon. This led to a renewal of peace demonstrations and widespread questioning of government policy.

Bar-On also provides the reader with an explanation of various methods used to mediate protracted conflicts. He describes the techniques used to break seemingly insurmountable obstacles into manageable topics of discussion between parties. He mentions various techniques for promoting long-term cooperation, including peace workshops that introduce lower-level members of opposing groups in the hope they will remember this amicable meeting when they rise to positions of authority. These workshops, and similar efforts, take place outside the spotlight of international junket diplomacy and deserve serious consideration in a work such as this. Bar-On's description of these methods is quite valuable—not just for use in the analysis of this conflict, but also as a source of ideas for dealing with similar situations throughout the world.

Apart from the minor shortcomings mentioned, *In Pursuit of Peace* is well worth reading. It is a comprehensive handling of a complex and baffling topic, and should find its way onto the reading lists of students of both the Arab-Israeli conflict and of mediation and negotiation.



