Corporate Power, Consumers, and Climate Change

Narratives of Responsibility

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About the Critical Corporate Theory Collection

The Critical Corporate Theory Collection is part of the *Systemic Justice Journal*, published by the Systemic Justice Project at Harvard Law School. The Collection is comprised of papers that analyze the role of corporate law in systemic injustices. The authors are Harvard Law students who were enrolled in Professor Jon Hanson's Corporations course in the spring of 2021.

The Collection addresses the premise that corporate law is a core underlying cause of most systemic injustices and social problems we face today. Each article explores how corporate law facilitates the creation and maintenance of institutions with tremendous wealth and power and provides those institutions a shared, single interest in capturing institutions, policies, lawmakers, and norms, which in turn further enhance that power and legitimates its unjust effects in producing systems of oppression and exploitation.

For more information about the *Systemic Justice Journal* or to read other articles in the Critical Corporate Theory Collection, please visit the website at www.systemicjustice.org.

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ABSTRACT

Corporations, empowered and legitimized by corporate law and theory, are avoiding the burden of their (outsized) contributions to climate change by passing that responsibility on to individual consumers who have limited ability to make large scale change. The dominant narrative that excuses this phenomenon is grounded in the idea that (1) consumers make up the majority of corporations' carbon footprint in the form of "downstream" emissions, and (2) consumers choose what they purchase and from which company. Assessments of corporate contributions to anthropogenic climate change are therefore unfairly inflated. The problem--and all avenues of change--are actually located entirely within consumer behavior. In reality, though, consumer behavior is a direct result of corporate manipulation, as enabled by corporate law and theory. Both mandated and enabled by shareholder primacy, corporations have created a culture of rampant consumption in order to manufacture demand for their products. Further, the "system threat" of climate change induces individuals to justify existing paradigms and adopt a dispositionist attributional frame. Corporations exploit this psychological phenomenon to: (1) legitimize shareholder primacy and other corporate paradigms; (2) encourage the narrative that consumers are responsible for anthropogenic climate change; and (3) produce and sell "eco-friendly" products in continued pursuit of short-term profit. Corporations thereby avoid the burden of accountability for their outsized contributions to climate change while increasing profits, both through their standard practices and through the creation and marketing of products that capitalize on consumer guilt, at the expense of the planet.

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FORTUNE FAVORS THE FRUGAL

The commercial[1] opens in space, a meteor made of trash hurtling towards the Earth. Ominous music plays. A news anchor warns that time may be running out to prevent the devastating effects of climate change.

Then, a shift in tone: a young girl plays a cassette tape— "Make It Better" by The Barons—and her world is sparked into action. Out-of-date vegetables are pickled instead of thrown away. Tap water used to wash tomatoes is repurposed to water the plant from which they were grown and picked. And with every positive change, trash—a pickle jar, a plastic grocery bag—break away from the meteor and scatter away into the vacuum of space. Switching to LED lightbulbs, hanging laundry on a drying rack, and using a glass travel mug all disintegrate the meteor, piece by piece, until only a single plastic bottle is left, which lands serendipitously in the backyard of the young girl. She picks it up, places it in the recycling sorter in her kitchen. A voiceover proclaims: "fortune favors the frugal."

It wouldn't be out of place as a PSA on plastic waste, produced by a local grassroots organization. In reality, though, it's a minute-long ad spot for IKEA, the largest furniture retailer in the world. Each "green" switch featured in the video, from the glass jars used for pickling to the recycling sorter that captures that last plastic bottle, is actually an IKEA product placement.

This marketing strategy has become more common in recent years as corporations face criticism for their lack of action on climate change and consumers increasingly demand more sustainable shopping options. The approach typified in IKEA's "Fortune Favors the Frugal" ad spot effectively addresses both issues at once: companies can address consumer demands while rebranding themselves as "environmentally friendly" and "eco-conscious." It has also allowed corporate institutions to capitalize on selective sustainability while simultaneously avoiding any real responsibility for their own outsized contributions to climate change.

And, ultimately, underlying and enabling this approach is a system of corporate law and corporate theory that legitimizes the prioritization of short-term financial goals and funnels immense power and influence into corporations. In this case, that power allows them to exploit the "system threat" of climate change to both increase their profit—at the continued expense of the planet—and locate any possible change within individual consumer behavior, thereby avoiding the burden of the ways in which corporate practices and priorities have done and continue to do the greatest environmental harms.

PART 1: THE CORPORATE STORY

Consumers, Not Consumerism

In July of 2017, the international non-profit organization CDP released the first in an ongoing series of reports and research on the degree and scale of corporate greenhouse gas emissions. Referred to as the Carbon Majors Report[2], it looked at a database of publicly available emissions data and found that 71 percent of all global greenhouse gas emissions since 1988[i], totaling 635 billion tons, to just 100 producers. Should that pattern continue, the report says, global temperatures will be on track to increase by 4˚C in the next eighty years. Major media outlets picked up the story[3], and concern spread. Attention turned to the 100

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[i] The CDP report analyzed emission data beginning in 1988 as that was the year in which human-induced climate change was first formally recognized by the United Nations.

corporations identified in the report, in particular the more than 30 publicly traded investor-owned companies.

In response, corporations quickly spun a new story, refocusing the narrative on individual consumers. The formula used by CDP to determine total emissions included not only those produced through companies' manufacturing processes but also emissions produced through consumer purchase and use of the products. Calculated this way, critics said, the majority of a corporation's carbon footprint comes not from their own so-called "upstream" emissions but rather from consumers' downstream ones. Estimates of companies' contributions to greenhouse gas emissions and climate change were therefore unfairly inflated; removing downstream emissions significantly reduces corporate carbon footprints and proves that individual consumers, not corporations, are actually responsible for the majority of greenhouse gas emissions.

This narrative parallels the corporate story that attributes consumer behavior to the free choices made by individual consumers: no one forces people to purchase products that contribute negatively to the global carbon footprint; they make that decision for themselves, and they are completely free to make a different one should they be concerned about climate change. And from these assertions—that consumers make up the majority of a company's carbon footprint, and that consumers freely decide what they purchase and from which company—comes the seemingly reasonable conclusion that it would be unfair to attribute the vast majority of emissions to corporations, or so the story goes.

Companies thereby slip the collar of responsibility for their contributions to anthropogenic climate change, and all avenues of change, both with regard to emissions and with regard to corporate behavior, are located in individual consumer choice. Even when there is some recognition of the comparatively great role that corporations have played and are playing in climate change, consumers are told to "vote with their wallet."

What this narrative neglects is the extent to which those "free" choices are, in reality, far from it.

PART 2: FLIPPING THE SCRIPT

Consumerism, Not Consumers

Creating Consumerism

> *"The cardinal features of this culture [of American capitalism] were acquisition and consumption as the means of achieving happiness; the cult of the new; the democratization of desire; and money value as the predominant measure of all value in society."*
>
> *—William R. Leach, Land of Desire: Merchants, Power, and the Rise of a New American Culture*[4]

The turn of the twentieth century in the United States saw the rise of an empire of consumption. Coming out of the Industrial and Technological Revolutions of the 1800s, corporate institutions had massive-assembly production facilities—powered by fossil fuels—ready to meet the consumer demands of an emerging middle with immense purchasing power. Products became less about necessity and utility, and attention turned to newness, innovation, enticement, and above all, profit. Rather than wealth and economic power, "individual desire [] was democratized."[5]

Then came the Great Depression. Consumption became deprivation, and then, in the early 1940s, rationing. After the war, although wartime production had helped to pull the country from the jaws of the Depression, complete recovery from fifteen years of global conflict and economic hardship required two things: time and massive spending. Thus, consumption resurged, this time as a patriotic act. And companies happily obliged.

Aided by the new medium of television, corporate retailers employed "ad men" to target their most precious resource: the American consumer. From the events of the first half of the twentieth century, businesses learned the importance of the consumer. Without widespread consumption, the corporate system collapsed. The mass production of goods could only be maximally profitable—the predominant measure of value in American consumer culture—with continuous demand, continuous consumption. But rather than waiting for consumers to demand products and risking that they might not once production caught up with demand, corporations sought to create it.

One particularly enduring method of creating demand was "planned obsolescence." Pioneered by Alfred P. Sloan of General Motors in the 1920s and increasingly adopted by manufacturers over the course of the twentieth century, planned obsolescence sought to create intentionally inferior designs such that they would become obsolete in the minds of consumers upon the introduction of new generations of products.[6] In doing so, consumers would be inspired by their own sense of dissatisfaction and desire to continue to purchase new products unnecessarily out of the dissatisfaction and desire intentionally induced by companies.

At the root of all of these techniques, advertising and otherwise, was profit, and the perpetual desire for more. Thus, the American economic system became oriented around profit, and corporate law and theory followed. Chief among these legal and theoretical developments is the concept of "shareholder primacy."

Shareholder primacy, briefly, assigns priority to the interests—typically, profit-based—of shareholders above all other corporate stakeholders. While not always the dominant theory, in the late 1970s, economist Milton Friedman argued that businesses have one responsibility: to increase its profits. This focus on profits above all else, along with the perception of executives and board members as "agents" hired to work for shareholders (the "principles") led to the development of shareholder primacy.

The continued dominance of shareholder primacy today means that corporations continue to prioritize profits today over investments, including environmentally oriented investments, for tomorrow. Business decisions to turn to sustainable products are evaluated first for their potential for immediate profit, and "green" solutions are no different; they are still framed as issues of the "bottom line" and the immediacy of profit earning. Thus, the general corporate response demands for positive environmental action revolves, ironically, around continued and increased consumption.

From the development of consumer culture over the course of the twentieth century to the rise of neoliberalism toward the end of the century, consumerism has become deeply intwined, if not synonymous, with notions of freedom. And as consumerism, and the profit-seeking mentality leeched into corporate law and theory, it became a justification for the deregulation of corporations. The ultimate result is a system in which corporate climate action, or lack thereof, in any form is justified so long as it prioritizes profit.

The Power of "System Threat"

As a graduate student, social psychologist John T. Jost asked himself a series of questions: Why do some women feel that they are entitled to lower salaries than their male colleagues? Why do people blame victims of injustice, and why do victims of injustice sometimes blame themselves? Where is the outrage over unequal distribution of wealth and the lack of action being taken on that and other sociopolitical issues?

The answer: system justification theory (SJT), which posits that humans have a general tendency or motive to justify and defend existing systems and structures—even when those systems and structures are ostensibly unjust.[7] For those advantaged by these systems, the conscious and unconscious urge to legitimize them is not quite so mysterious; the status quo is consistent with their self-interest, and so they become ardent supporters of the system. But system justification occurs just as frequently among individuals disadvantaged by the status quo. The resulting cognitive dissonance prompts these individuals to adopt an "ideological rationalization" of the system.[8]

> *"The cognitive dissonance that is created by the discrepancy between reality (for instance, widespread disparities in wealth) and one's beliefs about the system ("the economic system is fair") cannot be resolved easily by rationalizing one's own behavior ("I work hard and get paid very little but I enjoy it"). Rather, an ideological rationalization on behalf of the system is necessary in order to alleviate emotional discomfort."*
>
> *—John T. Jost, System Justification Theory and*

Research

As such, system justification acts as a strong motivator of human behavior by addressing the psychological need to reduce dissonance, uncertainty and threat.[9] In the case of climate change, individuals resolve their psychological distress regarding the threat of climate change by accepting the idea that their behavior is the great arbiter of change, thereby legitimizing the corporate narrative of "consumers, not consumerism."

System justification motive has also been found to underly skepticism of global warming, as a result of feelings of powerlessness and dependence on the system. In a study conducted by Erin Hennes of Purdue University, participants were led to believe, using social science research, that the quality of their lives was either highly dependent upon the "system" (governmental institutions and policies, the economy, etc.) or had little dependence on the system. When evaluated later, participants assigned to the high system dependence condition were more likely to express more skepticism about the existence of global warming and were more likely to "misremember scientific evidence . . . in a manner that downplayed the problem."[10]

CONCLUSION

The narrative of consumers over consumerism, and the downplaying of corporate contributions to climate change, has become all too common in recent years, particularly as companies face increasing criticism for their lack of action. Corporations, emboldened by a system of corporate law and corporate theory that provides them with immense power and a share interest in short-term financial goals above all else, have worked to maintain and exploit attributional narratives which locate the source of change almost entirely within individual consumer behavior.

Psychological phenomena, like John Jost's system justification theory, lend legitimacy to this corporate narrative, encouraging individuals faced with increasingly alarming data on climate change to either accept that they are indeed responsible for change, or to become increasingly skeptical of climate change as a problem at all.

Corporations exploit this phenomenon to: (1) legitimize shareholder primacy and other corporate paradigms; (2) encourage the narrative that consumers are responsible for anthropogenic climate change; and

(3) produce and sell "eco-friendly" products in continued pursuit of short-term profit. Corporations thereby avoid the burden of accountability for their outsized contributions to climate change while increasing profits, both through their standard practices and through the creation and marketing of products that capitalize on consumer guilt, at the expense of the planet.

FURTHER READING

[Note for Future Revision: I'd like to refer readers to other Profit$ of Justice papers here, particularly my fellow environmental justice paper writers, but I couldn't find the master list of papers on Canvas].

ENDNOTES

[1] The commercial can be found here, in its entirety.

[2] The report can be found here, in its entirety.

[3] The CDP press release put out ahead of the report's publication (found here, in its entirety) largely summarizes the main points discussed among the media.

[4] William R. Leach, *Land of Desire: Merchants, Power, and the Rise of a New American Culture* 7 (1993).

[5] William R. Leach, *Land of Desire: Merchants, Power, and the Rise of a New American Culture* 7 (1993).

[6] https://www.npr.org/templates/story/story.php?storyId=102670076

[7] Gary Blasi and John T. Jose, *System Justification Theory and Research: Implications for Law, Legal Advocacy, and Social Justice.* California Law Review Vol. 94, No. 4 (Jul. 2006).

[8] *Id.*

[9] John T. Jost, *A theory of system justification*. Psychological Science Agenda (June 2017).

[10] *Id.*