

Council Panel Considers Corporate Social Responsibility

Increasingly, when environmental and/or social activists sit down to talk with business leaders, the discussion centers on corporate social responsibility (or CSR), an ill-defined but important subject. Think of it as having to do with the responsibilities of corporations to go above and beyond what the law requires them to do in such areas as environmental protection, worker safety, and social investments in the communities in which they are located. CSR was the topic at RFF's fall Council meeting, held in October, in conjunction with New York University's Leonard N. Stern School of Business.

Speakers included Mindy Lubber, executive director of the Coalition of Environmentally Responsible Economies, an organization that

works with corporations to be more transparent in their operations and adopt stricter codes of conduct; Paul Tebo, vice president for environmental health and safety at DuPont and one of those within the corporate world who believes that companies can improve their bottom-line performance by going beyond what the law requires them to do; Bruce Buchanan, director of the Stern School's Markets, Ethics, and Law Program; and Paul Portney, RFF president. Vijay Vaitheeswaran, global environment and energy correspondent for *The Economist*, moderated the debate.

Buchanan posed the fundamental questions. The modern corporation has a duty to maximize the interests of its shareholders. What duties does

it have to the stakeholders—the communities, employees, customers, and others affected by its decisions? In the United States, he continued, citizens' right to a clean environment is enforced. What responsibilities not to pollute does a company have in a country without antipollution laws?

Lubber saw this as a false dichotomy. Responsible corporate behavior will build shareholder value. She rejected the notion that corporate social responsibility is, in effect, philanthropy, arguing that business leaders are in breach of their fiduciary duty if they ignore the repercussions of their actions, such as possible contribution to climate change. She called on CEOs to set goals for sustainability, energy, water, biodiversity, and equality and to seek third-party verification of measurable outcomes.

Portney in turn offered what he called "constructive skepticism" about the very concept of corporate social responsibility. Companies already engage in social responsibility, he observed, because they employ people, issue debt and encourage savings, and provide goods and services. But a company that spends shareholders' money in ways that don't enhance their rate of return becomes less competitive and less viable.

We hear so much about corporate responsibility, Portney speculated, because we are reluctant to tax ourselves to support activities that are the



RFF Director Dod Fraser
and Susan Fraser.



Pricing Energy

The cost of energy externalities was a focus of the discussion that followed. Energy should be priced, Portney said, to reflect the full cost of its production and its environmental and social costs. “Then if our oil comes from Saudi Arabia or Venezuela, or if we produce more in the United States, or if we use more in the future,” he stated, “it won’t matter—so long as the people who use it are confronting the full social cost associated with it.”

Lubber, a former regulator, was surprised to find herself on the pro-market side of this issue. Incorporating full life-cycle costs into pricing, she said, will promote energy efficiency.

Tebo found American consumers’ interest in the environment ironic because for one thing, “they drive huge cars with ‘save the polar bear’ bumper stickers.” Corporations thus have responsibility to market and, through technology, create environmentally responsible products.

Portney would involve consumers in the transformation by requiring more information to be disseminated. Once consumers understand the environmental consequences of the products they use, the market will drive environmental improvement.

These controversial subjects were the impetus for a lively discussion that ensued among members of the RFF Board, the RFF Council (major individual and corporate donors to RFF) and members of the audience. Then at the dinner that followed, participants were entertained by a fascinating talk given by former Secretary of the Treasury and former Chairman and Alcoa CEO Paul O’Neill about his efforts at both Alcoa and the Treasury to improve accounting practices. ■

Top: RFF Director Maureen Cropper, Global Environment and Energy Correspondent for *The Economist*, Vijay Vaitheeswaran, and StEPP Foundation Board Chairman Frank Stewart
Above: Former Treasury Secretary and Alcoa CEO Paul O’Neill addresses the RFF Board of Directors and Council as well as guests from New York University’s Leonard N. Stern School of Business.

legitimate domain of a public sector. And thus Americans turn to corporations, thinking that if a company builds a school or a water treatment plant, it’s free. But that, he said, just shifts the cost to customers, employees, and shareholders—and puts an “incredible burden” on corporate executives to decide what public

goods ought to be provided, and how.

One corporate manager who bears that burden is DuPont’s Tebo. “We don’t use the words social responsibility,” he said. “Our mission is sustainable growth,” which he defined as creating shareholder and society value while decreasing the company’s environmental footprint.

Electricity Company

Executive Draper Joins RFF Board



E. LINN DRAPER, JR.

The RFF Board of Directors recently welcomed E. Linn Draper, Jr., a prominent energy sector executive and nuclear engineer, to a three-year term. Draper is chairman, president, and chief executive officer of American Electric Power Company, headquartered in Columbus, Ohio, and holds the same titles for the AEP Service Corporation, the management and technology arm of the AEP system.

Draper's background includes a degree in chemical engineering from Rice University and a doctorate in nuclear science and engineering from Cornell. At the University of Texas in Austin, he was an associate professor and director of the nuclear engineering program. He is a registered professional engineer in Texas and in 1992 was elected to the National Academy of Engineering, one of the highest distinctions for that profession. Draper has written numerous technical papers and edited books on nuclear power and the engineering aspects of fusion reactors and has been a frequent speaker on behalf of the industry.

In the 1990s, as a member of the President's Council on Sustainable Development, he helped recommend a national economic strategy to protect the environment. The council comprised 15 government, business, labor, and environmental leaders who advised President Clinton on a new

environmental management system for the 21st century, focusing on adaptations in the U.S. economy and society that would maximize environmental and social benefits and minimize economic impacts.

Draper joined American Electric Power in 1992, following 13 years with Gulf States Utilities Company in Beaumont, Texas, where he served as chairman, president, and chief executive officer. He became chairman, president, and chief executive officer of AEP in 1993. The largest electricity generator in the United States, AEP owns and operates more than 42,000 megawatts of generating capacity in the United States and select international markets. AEP counts almost 5 million customers linked to AEP's 11-state electricity transmission and distribution grid.

Draper is also president of Ohio Valley Electric Corporation (OVEC) and its subsidiary, Indiana-Kentucky Electric Corporation. OVEC provides electric energy for the U.S. Department of Energy's uranium-enrichment facility at Piketon, Ohio.

He was appointed to the Board of Governors for the Nature Conservancy in 1999 and serves on the board of the organization's Ohio chapter. Draper is also a member of the Cornell University Council Board, the University of Chicago Board of Governors for Argonne National Laboratory, the University of Texas

Engineering Foundation Council, the Nuclear Energy Institute, the National Coal Council, the National Petroleum Council, and the Edison Electric Institute (the trade association of investor-owned electric utilities), plus the U.S. Chamber of Commerce and the National Association of Manufacturers. He is chairman of an environment, technology, and economy task force of the Business Roundtable and chairman of the Ohio Business Roundtable. Draper brings international experience to RFF as well: he is the current chairman of the E7, an alliance of nine energy companies from the G7 nations; the group promotes sustainable energy development.

Draper's many national- and international-level commitments have not precluded his involvement in his local community. He is the current chairman of the Columbus Downtown Development Council and in 1998 was awarded the Distinguished Eagle Scout Award, presented to Eagle Scouts, who after 25 years, have distinguished themselves in their life work and have shared their talents with their communities on a voluntary basis. ■

A Report from RFF Press

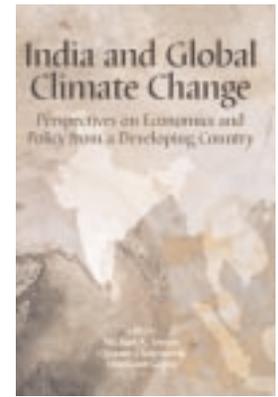
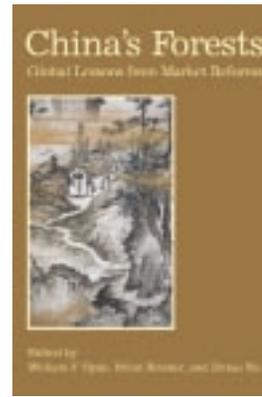
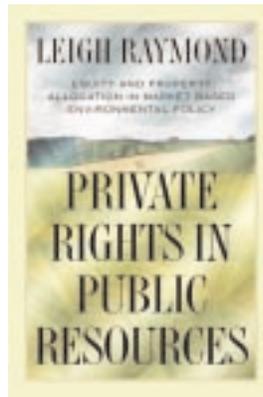
RFF Press supports the mission of RFF by publishing books that make a distinct, original contribution to scholarship, teaching, debate, and decision-making about important issues in environmental and natural resource policy.

New Publications

Private Rights in Public Resources: Equity and Property Allocation in Market-Based Environmental Policy,

Leigh Raymond. Raymond investigates the role of equity and property norms in shaping environmental policy outcomes. Using three highly original studies—the Taylor Grazing Act, the Acid Rain program, and the debate about allocations of greenhouse gas emissions—he argues that ideas about equity and fairness have long had a significant influence on the political process and ought to be considered more explicitly in both crafting and analyzing public policy.

China's Forests: Global Lessons from Market Reforms, William F. Hyde, Brian Belcher, and Jintao Xu, editors. This is the first book to comprehensively evaluate the effects of forest policy as it has followed or extended from agricultural, trade, and other policy reforms that began in 1978. Among the issues it addresses are the pressures exerted by the growing economy on the forest environment, the environmental effects of extractive activities, the property rights arrangements that have fostered the most sustainable management practices, and the contribution that forestry can make as an agent of development.



India and Global Climate Change: Perspectives on Economics and Policy from a Developing Country, Michael A. Toman, Ujjayant Chakravorty, and Shreekanth Gupta, editors. Although the impact of climate change will most likely be greatest on the already poor and vulnerable populations in the developing world, much of the writing about the costs and benefits of different policies to reduce greenhouse gas emissions is by Western scholars. Drawing the majority of its contributions from authors based at Indian universities and other research centers, *India and Global Climate Change* provides a developing world perspective on the debate.

Reviews

The policy relevance of books by RFF Press has been highlighted in the increasing number of reviews that are appearing in scholarly journals and specialized magazines intended for experts in the policy community. Mentions of RFF books in other venues show a broader or more immediate influence that RFF Press books are having—by serving as source for newspaper articles, providing ideas for legislation, and serving as a guide for employees of a government agency as they evaluate efforts at sustainable resource management.

On Borrowed Time? Assessing the Threat of Mineral Depletion, John E. Tilton.

“In a few short pages this book not only explains in simple terms the major conceptual touchstones of resource economics . . . it also turns on its head that branch of theory rooted in the assumption that minerals can . . . be appropriately viewed as endowments.”
—*Journal of Economic Literature*

“A logical exposition that blends historical, theoretical, and empirical elements of the ongoing debate in an appealing way . . . balanced and objective . . . interesting case studies and boxes facilitate the appeal to a wider audience . . . suitable for a variety of audiences [including] mining professionals, students, conservationists, and even politicians.”
—*Journal of Energy and Development*

Policy Instruments for Environmental and Natural Resource Management, Thomas Sterner.

“This book not only details the economic principles . . . but also presents a wide range of examples of practical policy design. . . . For at least one of the intended audiences, analysts who advise policymakers, this book is simply indispensable . . . Put simply, a good source of inspiration.”
—*Journal of Forest Economics*