tax code could force companies to unroll them. It's nearly right on ubiquitous, we haven't yet found a company that lacks such opportuni-
ties. Reinhardt is wrong, though, about stricter regulation, which we didn't suggest, and about tax changes.
None of the businesses we cite was "forced" by taxes or regulations to adopt radical resource productivity. They did so despite many distor-
tions in taxes and regulations in order to gain profit and competitive advantage.
Let's restate what our article did say. If capitalism were actually con-
ducted according to its own logic, and markets were actually free, op-
portunities to protect the environ-
ment at a profit would be ubiqui-
tous. Currently, they're numerous, but we never called them "free." They take time, effort, creativity, and capital to exploit, but when un-
dertaken, they will usually yield attractive returns in virtually every sector under current conditions, as examples in Natural Capitalism [Little, Brown, 1999] illustrate. How-
ever, if the playing field for competi-
tion between using and saving re-
sources were leveled by expensing resource-saving investments, and the playing field between resource and labor factors were leveled by tax 
codes that favor work over waste, then the opportunities that are now common would become truly ubiqui-
tous. As a result, the whole econ-
omy would become more efficient. Radically improved resource pro-
ductivity yields the greatest profits in combination with the other ele-
ments of natural capitalism de-
scribed in our article. Transcending market and cost-benefit balancing acts, natural capitalist companies have found that if it doesn't pay 
basically, the whole system is prob-
ably doing something wrong. Some 
common mistakes include reducing pollution at the end of the pipeline rather than abolishing the pipe altogether, managing environmental risks rather than eliminating them, and incurring management costs rather than designating unecessary 
management.
Perhaps the biggest payoff of the resulting new business models is a 
one Reinhardt doesn't mention - aligning corporate values with those of customers, host communities, and workers, not the reverse. Re-
moving contradictions between what people do at work and what they want for their kids when they go home liberates extraordinary la-
tent creativity trapped in stale em-
ployee and customer relationships.

Natural capitalist companies adopt values congruent with stake-
holders' and designs congruent with nature's. Monsanto, whose business model for patented genetically mod-
tified crops Reinhardt considers promising, is in the game by doing 
neither. Products based on values re-
jected by many of its customers and on market goals inconsistent with biological 
principles will teach a costly lesson: democracy and biology eventually win.

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In "Bringing the Environment Down to Earth," Reinhardt asks mislead-
ing questions. "Does it pay to build your next plant in Singapore?" im-
plies an economic choice, but "Do you wish to build your next plant in 
Singapore, causing great damage to the environment?" implies a moral 
choice. To the first, you can answer "It depends." To the second, you must reply yes or no.
According to Reinhardt, bringing the environment down to earth 
means bringing the environment into the fold of business problems. 
But that applies the rules of econom-
ies to ethical choices. Treating envi-
ronmental issues as business prob-
lems uses faulty reasoning. All of us 
have the duty to leave the earth to 
our children in the same or better 
condition as we inherited it. Every-
body - managers, shareholders, and 
so on - has the duty to preserve the 
environment. Granted, companies 
aren't in business to solve environ-
mental problems, but they must not 
create them.
Reinhardt is right when he says, "environmental problems do not au-
tomatically create opportunities to 
make money." But if he thinks that 
environmental problems should be 
treated only as business problems, 
ignoring ethical values, he is wrong.

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"Bringing the Environment Down to Earth" shows business managers 
how to approach environmental 
concerns as business problems and 
how to integrate environmental thinking into their decision making. 
This is an important first step. For 
example, I recently recommended 
the installation of a new piece of ma-
achinery for one of my company's di-
visions. Marketing assessed the mar-
ket for the product, sales committed 
the additional volume, finance ap-
proved the capital expenditure, and 
the division devised the implementa-
tion time line. But at no point dur-
ing this process did someone assess 
the environmental impact of this 
new piece of equipment; no one thought to consider our manufactur-
ing processes in a different way.
I am not suggesting that every 
business decision needs an environ-
mental slant. However, much like 
the IT function - a stepchild in the 
1980s but now an integral part of 
corporate strategic decision-making - 
the environmental function needs to 
grow beyond a few divisional staff 
members ensuring that manufactur-
ing meets government regulations. 
The IT dangers of the 1990s is that the 
IT function should report directly to 
the head of the organization. Should
the same be true for the environmental function?

Forest L. Reinhardt responds:

Amory B. Lovins, L. Hunter Lovins, and Paul Hawken raise some interesting ideas. Let's identify the real disagreement between their points of view and mine. They say, "If it doesn't pay handsomely to be green, you're probably doing something wrong." That is, if being green doesn't pay, this is an internal problem and can be fixed internally. My perspective is that if it doesn't pay to be green, this is probably because environmental damage isn't automatically reflected in the prices companies and people pay in the marketplace, the company cannot fix that problem on its own.

In their view, investments that reduce (unpriced) environmental damage also reduce private costs to such a degree that the investments are worthwhile. Since managers get paid to reduce private costs, the implication is that a lot of managers haven't been doing their jobs.

Maybe. But remember that environmental quality is a public good, like streetlights or national defense. Once it's provided, those who didn't pay for it can't be excluded from enjoying it, and one person's enjoyment doesn't reduce another's. For those reasons, public goods are notoriously difficult for private companies to produce profitably. That's why my article identifies the circumstances under which companies can enlist their customers and competitors in sharing the burdens of public-good provision. The company can implement some solutions on its own, but often it will need to change others' behavior as well. Balancing costs and benefits is central to this process.

Maybe, too, some employee and customer relationships are "stale" and can be rejuvenated through joint efforts at environmental friendliness. But not every employee and customer is going to benefit. Some people, for example, actually like to drive SUVs. Again, balancing costs and benefits is central: managers need to figure out what the benefit-cost calculation looks like to other

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implications of a business investment decision. She and I agree; integration of environmental concerns into business routines requires that companies consider both the environmental implications of business decisions and the business implications of environmental decisions. However, the presence of an environmental staff member reporting to the CEO is neither a necessary nor a sufficient condition for that to happen.

THE RIGHT WAY TO RESTRUCTURE CONGLOMERATES IN EMERGING MARKETS

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In their article "The Right Way to Restructure Conglomerates in Emerging Markets" (July-August 1999), Tarun Khanna and Krishna Palepu make a case against dismantling diversified business groups in emerging economies. There is a fear that many business groups make up for the absence or weakness of market incentives and that breaking them up could do more harm than good. While I agree that emerging economies benefit from government intervention in the short term, on the contrary, I believe that these conglomerates are stifling the development of market institutions and intensifying social distress.

Diversified business groups in emerging markets have strong incentives to maintain the status quo. As the authors point out, they wield considerable political and economic power, and they have great ability and opportunity to capitalize on the absence of institutions that support effective markets and encourage competition.

The authors state that the companies affiliated with these groups outperform unaffiliated companies in the same industries. They attribute their superior performance to the