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Book Review: Sustainable Finance and Banking

by William Baue

New book methodically argues that finance and banking have a significant role to play in achieving sustainability.

Sustainable Finance and Banking: The Financial Sector and the Future of the Planet, by Marcel Jeucken, works almost as three different books bound in one cover. Divided into Parts I, II, and III, the sections build upon one another to provide a convincing argument for involving financial institutions in plans for sustainable development.

Part I functions as a textbook, outlining basic economic and environmental principles. Part II reads more like a dissertation, analyzing how economics and environmentalism intersect in the practice of sustainable finance. And Part III sounds like a manifesto, advancing a convincing argument for preventing environmental apocalypse through sustainable business practices. This last section makes the book required reading for anyone concerned about sustainability, and is applicable to mainstream and professional audiences alike.

"Although the process of writing this book started as a translation of a Dutch book called *Duurzaam Bankieren* (*Sustainable Banking*, Jeucken, 1998), the process of rewriting turned out to be so inspiring that in fact more of a new book has evolved," states Mr. Jeucken.

Mr. Jeucken is a senior economist at the Rabobank Group in The Netherlands and a doctoral candidate in sustainability and banking at Erasmus University. While updating the material, he excised sections that focused narrowly on the Netherlands and expanded the book's scope to encompass a global perspective.

"[C]are for the environment and the concomitant need to build a sustainable society is not a fad but an irreversible necessity," writes Mr. Jeucken. After establishing the extent of the environmental crisis and the development of sustainable business as a response, Mr. Jeucken spends the remainder of Part I explaining how banks mediate between business and the environment. "The role of banks in achieving sustainable development is significant considering the intermediary role that they play in society," he states.

The book proposes a developmental model of banking that echoes Jean Piaget's developmental psychology at times. Mr. Jeucken posits four stages, or "phases" as he calls them, in a kind of banking maturation process: defensive banking, preventive banking, offensive banking, and, finally, sustainable banking. However, Mr. Jeucken emphasizes that these phases may not apply to all situations. Most importantly, he does not want to posit a static concept, but rather a dynamic one. "Our understanding of sustainability will undergo continual enhancement," he writes.

Later, in Chapter 9 of Part III, he supports this developmental paradigm by analyzing the degree of sustainability practiced at 34 international banks. He reports a tentative correlation that banks in the sustainable phase tend to be more efficient, more global, and larger in terms of assets. Defensive banks exhibit selfish, child-like characteristics while sustainable banks exhibit more wisdom and foresight, according to this model.

Part II may prove the most valuable to the financial and sustainability communities, but its technical depth may intimidate more casual readers. Mr. Jeucken breaks up the material by including graphs, tables, and case studies. For example, he quotes the Environmental Policy Statements from ten banks, allowing readers to compare the relative opacity or transparency of their language. These charts and examples illustrate his points effectively, helping lay readers to understand the more arcane aspects of his argument.

The heavy language of Part II continues into the first chapter of Part III, which is a case study of 34 international banks. However, Chapters 10 and 11 practically soar off the page, as Mr. Jeucken reveals the philosophical and spiritual perspectives buried beneath the technical jargon. He establishes Kuhn's famous notion of paradigm shifts, then encapsulates the entire historical development of Western philosophic and economic thought. Alongside his precise descriptions, vivid examples abound.

Mr. Jeucken includes a line graph charting population growth, affluence, and use of natural resources. The line is almost flat throughout human history until the Twentieth Century, when it begins to rise almost vertically. He then shows graphically how different courses of action into the future are unsustainable or sustainable.

Most persuasively, Mr. Jeucken retells a parable for the world environmental dilemma: if the amount of water lilies in a pond doubles daily, filling the pond in 30 days, when will the pond be half full? Mr. Jeucken does not focus on day 29 as the correct response, but rather focuses on finding solutions to prevent day 30 from arriving. In this way, he transforms what could be an alarmist text into an optimistic one.

Sustainable Finance and Banking: The Financial Sector and the Future of the Planet, by Marcel Jeucken. Earthscan Publications, Ltd, 2001.

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