



Investing with Hazel Henderson

Transcript of a radio interview conducted
by Stu Zimmerman

Editor's Note: *No one thinks that oil will ever be cheap again. This has refocused investors' attention on "patient capital," which is suddenly attractive.*

*Academy Fellow **Hazel Henderson** has been patient for decades. On April 23 she appeared on the [Inside Wealth](#) radio program in the San Francisco Bay Area, hosted by Stu Zimmerman. Her reflections, captured in this transcript, may describe the beginning of a sea change in the flow of capital within markets.*



Signposts

The whole problem is that we keep subsidizing coal, oil and gas, and nuclear.

SZ: *With oil prices almost at an all-time high in terms of real dollars, how do you, as an economist, see energy prices moving forward? What impact will it have in our lives?*

HH: I believe the many analysts who say the Saudi Arabian oil has been overstated in terms of the reserves. Prices will inevitably keep going up because you have the U.S. making no real effort to conserve. The vast energy bill that went through the Congress last year did nothing to increase automobile gas mileage. This is because of Detroit. American car makers have fought against CAFE [Corporate Average Fuel Efficiency] standards for a long, long time. So here we are. We are really behind the curve. It's very sad what's happening with Ford and GM but I have to say it has to be management's lack of foresight that gave this whole market of the hybrids away to Toyota and Honda. Here you have Brazil now almost energy self-sufficient because they began with biofuels 30 years ago. Most of their cars are flex fuel vehicles. We are behind the curve on the most sensible things to do...such as increasing the gas standards.

There are people now who are talking about 500 miles per gallon as being possible. I have been driving a Prius since 2001. It must be the oldest Prius in the country, but it regularly does 50 miles to the gallon in traffic. To me the only thing to do is to keep investing in renewable energy companies, which is what I do personally.

SZ: *Given that we are behind the curve as a nation, what can we do in the near term? We're addicted to oil. What do we do about withdrawing from that?*

HH: Americans have to start doing politics much more vigorously, and really start demanding that the government put real money into renewables. The whole problem is that we keep subsidizing coal, oil and gas, and nuclear. So it isn't surprising that it makes it very, very hard for renewables to compete. They are never on a level playing field. Yet so many of these renewable technologies have been ready to go for years. I wrote a book in 1981 called [The Politics of the Solar Age](#). It predicted all of this and said we would have to make this switch from fossil fuels. Many of them were ready to go in the '80s. Instead we spent all the money to continue to subsidize oil and coal. We have to make a terrific noise about it.

We just covered a conference in San Francisco called the [Cleantech Venture Forum](#). There were 500 venture capitalists there at \$1,000 a pop putting money into clean, green, renewable technology companies.

SZ: *Venture capitalists are known to be in it for the money.*

HH: Yes!

SZ: *Not that there is anything wrong that! But this isn't a political statement here, is it? They're not getting soft and environmental on us, are they?*

HH: Oh no! There were a lot of the older VCs—I mean the ones who had been investing in renewables for many years—and one of them who is actually a friend of mine, and he has a company called [Expansion Capital Partners](#), was saying, "Hey, all of your guys from Silicon Valley are rushing in here now because clearly at the current oil prices all of these renewable companies



Signposts

are very, very viable. What about the ethics of all of this?" I asked him, "Is it only about money?" He said, "What's the point of manufacturing solar cells in sweat shops?" He raised all these issues about how you run an ethical company: for example, shouldn't you have employee stock ownership plans? And how do you really manufacture solar and wind energy without environmental damage?

SZ: *Were these rhetorical questions?*

HH: No, no. He was saying that this is the way his company has been operating from the get-go. There is new money now coming into renewables. Up until now renewables had been invested in by people like me—what we call "patient capital." We just knew that this would eventually be the way to go... as soon as we could get the government to stop subsidizing (to the tune of *billions* of dollars a year) all these dirty fossil fuel technologies. These companies could compete and make a lot of money on a level playing field without any subsidies.

Basically you have a division now in the clean technology sector where you have got all the new money coming in. The older ones of us are trying to say, "Hey! Wait a minute! We are talking about ethical markets here. And this is not an oxymoron." We think the most precious thing in the marketplace is ethical values. You cannot have markets without trust, without fidelity and contractual relationships, without full disclosure, without honesty toward your customers, without responsibility toward your employees. In this moment, (which I like to call the Age of Truth) the Information Age has turned into an amazing open system, where any company who takes shortcuts and ethical risks ends up with its stock price being hammered. That's because there is so much information in the system.

SZ: *Hazel. I agree with you, and I would like to play angel's advocate. Because we have access to more information, we get more insight into what is true and what is not, just by having more information available to us. There is still enough fear and greed out there in the marketplace, where people will overlook the ethics, to make a buck. People believe that's the way it is. One corporate icon of this new millennium is Halliburton, which just hit another all-time high this week. Halliburton was run by Dick Cheney, so the relationship between Halliburton and the government could be cozier than it would with other companies. They own a company called Kellogg, Brown & Root, which is a construction company that builds up everything we knock down. They have been getting billions of dollars in government contracts. There are numerous investigations of these contracts, but at the same time Halliburton is hitting all-time highs. If you thought it would really go higher, would you buy the stock even if you thought there were ethical issues around how they had made their money so far?*

HH: It really is a great question. The reason I think there is a new bump up on that stock is not only because you are right about all those contracts, but because the prime minister of Iraq was forced to step down yesterday. His ouster means that the production-sharing agreements which were entered into by big oil companies can now go forward. As soon as the Iraqi government is constituted they can sign these agreements.

What's the point of manufacturing solar cells in sweat shops?



Signposts

This 14 year production-sharing agreement means they will be able to have crude oil at at-cost prices.

Now these agreements are just unbelievably favorable to American and British oil companies. There are three different types of oil agreements. The first type is the nationalized industry model, which is like most of the Persian gulf companies. They are owned by the Saudis, and so forth. The second is the concession model, which is like in Venezuela and a lot of the other countries that are asking for larger royalties and taxes. Basically they license a private company. The third, which is generally only used when there is a high likelihood there will be dry holes—there won't be any oil there—or there is huge political risk, is called a "production sharing agreement."

It seems to me, this is one of the reasons why Mr. Cheney did not want the Energy Task Force deliberations to be open to the public. This was all pretty much set before we went into Iraq. Read the [book about former Treasury Secretary Paul O'Neill](#); that was one of the things that he put in the book. They had all the Iraqi oil leases out, and he actually had a page showing who was going to get these Iraqi oil leases when we went in there and removed Saddam, who certainly needed to be removed.

What's happened now, and why Halliburton may be so high, is that this 14-year production-sharing agreement means they will be able to have the crude oil at at-cost prices. The profits that they will make! Of course Halliburton is in the actually machinery business, developing oil wells rather than actually in the oil business, but everybody is going to make so darn much money. I think it is absolutely terrible. It is really a very bad deal for the Iraqi people. That's why I think that possibly these stocks are having a big pop.

Our show tries to look at what's emerging, the clean, green, much more energy-efficient economy. There are other stock indexes to look at: the [LOHAS stock index](#). These are the best performing stocks in renewable energy, in organic agriculture, clean food, fitness, preventative health care. This is what we cover on our show. We think this really is the future. And they are going to be much bigger in the long run than the Halliburtons.

[After the news break...]

HH: At Ethical Markets, (www.ethicalmarkets.com)—and you will find there not only the details on all of our TV shows, and what stations they are playing on PBS— it's really a portal to all of those assert management firms that have portfolios of companies who have these higher values. That includes Domini Social 400, the Calvert Group, they are all on our home page. You can click right through to those stock portfolios and find out which companies pass through the highest social, environmental, and ethical audits. We don't take any sponsors unless they go through those screening processes. We want to be sure they walk the talk. On every show we put the searchlight on a company that says it's doing great things for society. We have a segment called "Walking the Talk" to find out if they really are doing it.

We are finding that these new indexes like FTSE4Good, Calvert Social Index, Domini, even Dow Jones has a Sustainability Group Index. The Brazilian BOVESPA has the New BOVESPA. All of these are regularly outperforming the old companies that go just for the buck and the short term. We call this "Triple Bottom Line" auditing.



Signposts

SZ: *A lot of our audience may not be familiar with what a triple bottom line is. Can you state what that is?*

HH: The old bottom line used to be the financial bottom line. However, the costs associated with that would be externalized, as economists say, to society or to the environment, or to future generations. The triple bottom line is about financial performance, yes. Ecological performance, yes. And also performance in terms of people and society. The shorthand is "people, planet, and profit." Now you can also go on a website called the [Global Reporting Initiative](#), which has over 600 companies who use this triple bottom line standard in preparing their annual reports.

SZ: *Can you give an example of a company that is really humming on all three areas?*

HH: These are all public companies. I don't want to pick out any one. You can click through our website and you can search the whole Calvert List, a universe of about 600 companies. The Domini 400 companies. The reason I don't like to pick out one particular company at a time is that we always have to be able to say, "Well tomorrow they may do something stupid. We may have to drop them."

SZ: *That goes for all of us. Is there a way to give an example of what a company can be doing? BP might be an example.*

HH: BP and Shell would both be companies you would not find on the lists. We are trying to bring up all of these clean new companies that are going to provide the jobs, and the earnings, and future. The future Microsofts. Most of the companies on these lists, while they are public companies, they are not the big granddaddy companies. For example, let's take General Electric. GE has never been on the list of most socially responsible companies. Now there's a little re-evaluation going on because the new CEO Jeffrey Immelt is taking the company in a whole new direction, and very heavily investing in solar and renewables. These socially responsible mutual funds are very, very careful to look at all these things. But no company is perfect. For example GE still has the nuclear division, and nuclear power could never manage to succeed if it were not for enormous government subsidies (the Price-Anderson Act). We have no idea how to deal with all these radioactive wastes.

So there is GE, going through a sort of rolling readjustment or transformation. At some point if we really see that money, that investment, shifting from fossil fuels and nuclear to renewables, then you will start seeing companies like that showing up on these lists, like the Calvert and so forth.

SZ: *How do you define a renewable source of energy? Does hydrogen qualify?*

HH: One company that a lot of people have made a lot of money in over the years is [Ballard](#), which is a Canadian firm. We interviewed the founder in one of our shows. They are a pure fuel cell play. There is [Evergreen Solar](#), that's another pure solar play. Those companies are doing very well. If somebody wanted to put together, or wanted to invest in, a whole range of these renewable companies—everything from wind, solar, to fuel cell, to hydrogen, to biomass, to more efficient batteries, to smarter grids (because most of our

GE has never been on the list of most socially responsible companies. Now there's a little re-evaluation going on.



Signposts

power outages are because the grid is not properly configured) they would look at something like the Innovation Fund. (Full disclosure: I have a position in the Innovation Fund, and I have had for many years.)

SZ: *Do you have a position in GE?*

HH: Oh, no!

SZ: *I don't own Halliburton, but the odds favor Halliburton going up from here.*

HH: This is all the short term thinking that really drives Wall Street. There is a huge unreported movement going on in venture capital circles that I travel in, to set up new kinds of exchanges, where they are not driven by these security analysts who are trying to force companies into posting increases of ROI every quarter. No company can do that. It's that kind of security analyst who really contributes a lot to the corporate crime wave. These guys figure, "Oh my God, if I don't fudge the figures then it will break the price of my stock." There are a lot of companies saying, "Look, we have a social mission in our company and we are not going to go public on Wall Street." You know what's happening? A lot of the renewable energy companies are going public on the London Stock Exchange. One that I am invested in, called Clipper Windpower. They just went public in London. Another company called Ecoenergy, which is a global energy efficiency company, they just went public in London.

SZ: *Are you saying that investors on the London Exchange have a greater sensitivity and understanding?*

HH: Yes. In Europe, there are a great many more rules. For example, there is a European-wide rule which says that public and private pension funds have to disclose to the government and to the shareholders whether they offer socially responsible options to their beneficiaries. That happened about 10 years ago. That triggered a huge wave of money being shifted into these new portfolios because it was the law. In Britain they have another new kind of enterprise called the "social enterprise." The company who says they have a social mission will have special sort of charter and will have lower taxation from the government as long as they hew to those standards in their charter.

Pump and
dump!

I never invest in a company which is really public on the typical Wall Street exchange. It's "pump and dump." They go on the financial TV shows, pump up how great their earnings are going to be. They all have these PR firms to say how great everything is and then as soon as the little investor, which Wall Street refers to as the "sheep", comes in and starts buying stock on all of these recommendations on the TV shows, then the insiders dump it. "Pump and dump."

There are now a lot of different ways to go in the Information Age. You can have private liquidity networks where you don't need to have a stock exchange. You can have your own kind of systems. This is what's happening to a lot of money now.

SZ: *You are underscoring this: "Who can we trust?" The bottom line is that corporate scandals and abuses tend to roll off of people's tongues to the point where we are so inured, so numb to it, we rationalize it as "just the way business is."*



Signposts

HH: It's the same with the political system. *Fortune* had an article on what was the payoff for bribing members of Congress. I mean paying for their campaign contributions and all that. They were saying that the payoff is 1,000 percent. If you can get them to earmark something in a bill that is beneficial to your special interest, well gosh, the ROI of that bribe is just absolutely huge. It's bigger than anything you would ever get in the stock market. Isn't that awful?

SZ: *Most people would agree—except for the ones writing those checks.*

HH: The little people just have to make a terrific stink about this. I am sure we have to go to public finance of campaigns. Every now and then you just have to throw the rascals out.

SZ: *Each person listening is likely thinking, "What difference could my dollar possibly make? There is just too much money out there. The system is entrenched."*

HH: That's why we did this series. We wanted to show people where they can trust companies... where they could put the money. We interviewed about 80 entrepreneurs, asset managers, venture capitalists, that we checked out and trust. I think it is a terrible thing when the whole society loses trust, and so my mission in life is trying to search out where the good news is, where people can look for different kinds of behavior. In the long run, this is the way it has to go. The kind of things we talk about are the \$3 trillion worth of assets in pension funds. For example CALPERS there, in California, is demanding that the companies in their portfolios disclose what they are doing about global warming. How are they restructuring those portfolios to make sure that they are getting into the future energy sources. There is a lot of this out there. The reason I did the TV series, frankly, was because it wasn't being covered by the financial media.

We looked at the \$30 billion that church denominations invest now in socially responsible vehicles. There is good news everywhere but we have to dig it out and give people some hope. I hope that the people can visit [our website](#) and see where the program is beamed on the PBS stations just so they realize that so much good stuff going on. There *is* a future. We do know how to go forward and make an economy which is cleaner and greener and more ethical for everybody. Our first show is called "Redefining Success." We are talking about all these new qualities like metrics which are going to supersede the old Gross National Product, which is about nothing but how much money is changing hands.

About Hazel Henderson: Founder, Ethical Markets Media, LLC and Series Creator and Co-Executive Producer of its TV series. Dr. Henderson is a world renowned futurist, evolutionary economist, a worldwide syndicated columnist, consultant on sustainable development, and author of *Beyond Globalization*, and seven other books. Her editorials appear in 27 languages and more than 400 newspapers syndicated by InterPress Service, Rome, New York, and Washington DC. Her articles have appeared in over 250 journals, including (in USA) *Harvard Business Review*, *New York Times*, *Christian Science Monitor*,

The payoff for corporate political contributions is 1,000 percent.



and *Challenge*, *Mainichi* (Japan), *El Diario* (Venezuela), *World Economic Herald* (China), *Le Monde Diplomatique* (France) and *Australian Financial Review*. Her books are translated into German, Spanish, Japanese, Dutch, Swedish, Korean, Portuguese, and Chinese.

She sits on several editorial boards, including *Futures Research Quarterly*, *The State of the Future Report*, and *E/The Environmental Magazine* (USA), and *Resurgence*, *Foresight and Futures* (UK). She co-edited, with Harlan Cleveland and Inge Kaul, *The UN: Policy and Financing Alternatives*, Elsevier Scientific, UK 1995 (US edition, 1996). Since becoming a full-time TV producer, Hazel has stepped down from her many board memberships, including Worldwatch Institute (1975-2001), Calvert Social Investment Fund (1982-2005), and other associations, including the Social Investment Forum and the Social Venture Network. She remains on the International Council of the Instituto Ethos de Empresas e Responsabilidade Social, Sao Paulo, Brasil. Hazel remains a Patron of the New Economics Foundation (London, UK) and a Fellow of the World Business Academy. The first version of her Country Futures Indicators (CFI[©]), an alternative to the Gross National Product (GNP), is a co-venture with Calvert Group, Inc.: the *Calvert-Henderson Quality-of-Life Indicators* (Desk Reference Manual, 2000), updated regularly at www.calvert-henderson.com.

In addition, she has been Regent's Lecturer at the University of California (Santa Barbara), held the Horace Albright Chair in Conservation at the University of California (Berkeley), and advised the U.S. Office of Technology Assessment and the National Science Foundation from 1974 to 1980. She holds Honorary Dr. of Science degrees from the University of San Francisco, Soka University (Tokyo) and Worcester Polytechnic Institute, Massachusetts (USA). She is an active member of the National Press Club (Washington DC), the World Future Society (USA), a Fellow of the World Futures Studies Federation and a member of the Association for Evolutionary Economics. Henderson has many awards and is listed in *Who's Who, USA 2005*, *Who's Who in the World 2005*, and *Who's Who in Business and Finance 2005*. She shared the 1996 Global Citizen Award with Nobel Laureate A. Perez Esquivel of Argentina.