



# P E R S P E C T I V E S

by **Rinaldo S. Brutoco**

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## **Environmental, Social & Governance (ESG)**

*“Mother” Hazel Henderson*

Elon Musk is the world's richest person and one of the most brilliant individuals in business. He is the P.T. Barnum of our age—only more effective by far. And yet no one has ever accused him of: 1) having an ego that is under control; 2) a desire to benefit his fellow citizens; 3) a willingness to improve the environment, as he'd rather escape to Mars for himself and his richest friends rather than spend any resources on healing the biosphere here on Earth (his electric vehicle is a brilliant scheme to make money by making electric cars “sexy”); 4) a noble sense for legal compliance with the most fundamental of security laws (he is in trouble once again for flouting them); or 5) maintaining any personal relationships which don't serve his own limited selfish objectives (just ask the mothers of his children, his many mistresses, or even his former employees who complain about his abusiveness).

Clearly, he is not a great candidate for judging what good environmental factors ought to govern responsible businesses. Nor is he a good judge of what social responsibilities a business should strive to implement. And he certainly is not an acceptable spokesperson for good corporate governance as he is repeatedly raked over the coals for defying the most basic governance principles—he who would rather tweet official corporate statements than write the Securities and Exchange Commission filings required by law.

So why is anyone, least of all Bloomberg Green News, being bamboozled by this infantile genius with the emotional intelligence of an adolescent when he criticizes ESG investing?

In 1620 Sir Francis Bacon published “Idols of the Theater” describing how some individuals, and even whole philosophical systems, can be given greater credence in an arena of thought that had nothing to do with the expertise of the one articulating some important point. He felt we all needed to be very circumspect and reserve critical judgment when someone, his favorite example was Aristotle, achieved great notoriety for some key insight and avoid ascribing general great wisdom for something they would propose or expound upon in a field not their own. Sir Francis explained: “because in my judgment all the received systems are but so many stage plays, representing worlds of their own creation after an unreal and scenic fashion.”

In effect he's saying just because someone sounds great as an actor on the stage quoting magnificent thoughts, doesn't mean they came up with those magnificent thoughts or were even able to fully understand them. It just means they are very good at acting. They may be brilliant on stage going through their lines playing Alexander the Great, but they are not Alexander nor anyone else gifted with genius on how to rule a kingdom – their genius is limited to the stage.

Elon Musk has created mega success as the founder of Tesla and SpaceX. That doesn't mean he is qualified to make sound judgments on what serves the environment, society, or good corporate governance. All of these are outside the scope of what makes Elon fabulously rich or even famous. If Bacon could say that

Aristotle ought not overstep the boundaries of where his genius resides, it would be even more accurate to hold Elon accountable for where he exhibits genius and where he exhibits raw, undiluted self-interest. Elevating him to the level of Aristotle is probably an unfair comparison for Aristotle, but one that no doubt will flatter Elon's ego—which is slightly larger than even his rockets.

When Elon Musk criticizes the ESG principles used by investment funds that evaluate the bona fides of one company or another in positively addressing ESG issues, he is really whining because he is famous for not caring about the environment (he knows lithium cobalt batteries are far more harmful to the environment and to the drivers of Tesla cars than are lithium phosphate batteries). He has waged a vigorous, decade-long war against the hydrogen economy. He believes that if people are hoodwinked against hydrogen, he'll sell millions more of his less environmentally sound (and less consumer friendly) vehicles than Hyundai and Toyota will sell of their more affordable fuel-cell electric cars. More to the point, the various ways he has fought to hold hydrogen back, all for personal selfish motives, have now been thoroughly disproven by Goldman Sachs, McKinsey and Company, and every sophisticated energy observer in the last several years.

Yes, Elon has repeatedly lied to the California Public Utilities Commission for years about hydrogen and its beneficial effects for restoring the biosphere at costs far below his technology, just so he can sell millions more of his sexy cars. He's far too smart to say he was just mistaken. No, he spins a web of deceit in almost everything he does because he is the most effective salesman of the last several generations. That does not, however, make him a source we should listen to in the areas where he is egregiously out of step with evolving science and economics.

It is truly a shame that Bloomberg Green News, in a recent article, parroted Elon's complaints about ESG as investment criteria. If they just looked carefully, they would see his massive ego overlaying all his complaints as well as seeing his evident self-interest. You see, Elon's companies score poorly on ESG rating services, as well they should. Bloomberg ought to be more circumspect in printing his self-promoting marketing drivel.

Compare Elon Musk to futurist and "economic iconoclast" Dr. Hazel Henderson, now in her 90th year, and the acknowledged "mother" of ESG investing. Dr. Henderson dedicated her life to improving the very underlying principles of economics when put in practice for "the many" rather than for "the few." Dr. Henderson has created an amazing body of scholarship through her innumerable scholarly articles and her books *Building a Win-Win World*, *Beyond Globalization*, *Planetary Citizenship*, and *Ethical Markets: Growing the Green Economy*. Her work will stand the test of time for its selflessness and insightful integrity and her unique approach to human centered economic values. Look her up. Read even a fraction of what she has published, and you'll come to understand what a planetary treasure she is. A final observation: the industry she gave birth to, socially responsible investing based on ESG factors, is now a global industry of over 18 trillion dollars—that's far bigger than even Elon Musk's enormous wealth, and far more relevant for building the world we want to live in.