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By Richard A Epstein

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The persistently fragile economic situation confronting the United States, Europe, and now perhaps Asia presents a grave challenge on how to best reverse the current trend of stagnation through the introduction of sound regulatory and business policies. In dealing with this issue, it is imperative to recognize that the proper response to short-term boom or bust cycles depends on developing those policies and practices that prove sustainable in the long run.

One notable attempt to chart the proper course was found in a recent op-ed in the Wall Street Journal by Al Gore and David Blood. It offered one prescription for how both the public and the private sector should work together to act on a “Manifesto for Sustainable Capitalism.” This energetic duo proposed a program calling on businesses to “embrace environmental, social and governance metrics” to turn their firms, and our nation, around. “That means abandoning short-term economic thinking for ‘sustainable capitalism,’” they wrote. The pair should be commended for their willingness to eschew stimulus programs, like the American Jobs Act, which many naïvely believe can revive our national fortunes.

Unfortunately, their general proposals set out the wrong balance between government and private action, and run the danger of deepening the economic malaise that they hope to alleviate. The two great dangers that lurk in their framework point in opposite directions. The first risk is that any slavish attention to the “environmental, social and governance” metrics they propose imposes a procrustean bed on firms whose success may depend on their ability to adopt different business models tailored to their distinctive market niches. The second risk runs in the opposite direction. These guidelines will prove to be so bland that they will be useless for firms that have to make concrete decisions.

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