

# What Does It Mean To Be Green?

By [Lisa Smith](#)

When people hear the term "green investing", they often dismiss everything that follows as "tree hugger stuff". After all, investing is about making money and not being too concerned about the environmental impact companies have in making it. However, there has been a shift in both the board rooms of major corporations and the portfolios of investors, toward getting more "green", only now they're not talking about money.

**Green investing** involves putting money into companies that actively promote environmental responsibility. In a way, it turns some of the traditional criteria used for investing upside down. But will green investing actually put any green in your wallet? In this article, we'll take a look at green investing from both sides of the argument. (The term "green investing" is subjective. Find out how this impacts green investors in [Forget Green Stocks, "Green" Will Do.](#))

The

## *Old Ways*

The traditional economic approach toward the world's environment is largely centered on generating a profit. Trees are made to be cut down and sold, land is made to be developed, and animals (when they are considered at all) are either raised to sell or (in the case of rare fish, birds, amphibians, etc) are treated as impediments to deforestation and land development. Most credible experts agree that this approach to the environment has contributed to a host of environmental problems, including global warming, pollution, the extinction of some animal species, deforestation and drought.

## The New Ways

The major environmental concerns that have arisen as a result of economic development are now gaining attention and have generated a host of concern. They have also generated a heightened awareness of the importance of the environment. As a result, businesses are either seeking to operate in environmentally friendly ways or seeking to solve some of the problems that industry creates for the natural world. And we're not just talking about companies that sell hemp T-shirts or biodegradable pots made from cow dung - even major corporations (and major polluters) are jumping on board. (For more on this movement, read [For Companies, Green Is The New Black.](#))

## Environmentally Friendly Operations

While operating in an environmentally friendly manner is a new way of doing business for most firms, some of the biggest names in business are giving it a try. Although many of them still have a long way to go, Starbucks (Nasdaq: [SBUX](#)), Nike (NYSE: [NKE](#)), General Electric (NYSE: [GE](#)) and McDonald's (NYSE: [MCD](#)) are a few examples of companies that are far ahead of their competitors in terms of the way they operate. Many of these companies track and measure their impact on global warming, have set goals for the reduction of energy use and provide easy-to-access information about their efforts to address environmental issues. (For related reading, see [Go Green With Socially Responsible Investing.](#))

## Seeking to Solve Problems

If this shift in corporate and investor focus seems odd, consider that solving the world's environmental problems is big business. Efforts to reduce dependence on fossil fuels have spawned a host of enterprises ranging from wind farms to alternative fuels - and these aren't pie-in-the-sky efforts. For example, in 2007, legendary oil man T. Boone Pickens launched a bid to build one of the biggest wind farms in the United States. Energy giant General Electric also participates in the design and manufacture of wind turbines, while other major energy companies have partnered with the U.S. Department of Energy to develop clean coal technologies. Toyota (NYSE: [TM](#)) and other big companies are already selling hybrid cars, and most major auto manufacturers are racing to develop the next generation of fuel technology, with ideas ranging from engines that deliver dramatically increased gas mileage to hydrogen fuel cells that forgo gasoline altogether. (For more on these kinds of companies, see [Top 10 Green Industries.](#))

Other companies are reclaiming **brown field** (abandoned or underutilized) industrial sites, designing energy efficient appliances, creating new products from recycled materials, engaging in sustainable farming practices, and developing methods to reduce air pollution. These companies are all looking for ways to solve problems, operate in more environmentally friendly ways and run profitable enterprises. (To learn more, see [Clean Or Green Technology Investing](#).)

### **The Roots of Green**

The concept of green investing is an outgrowth of the **socially responsible investing** movement. Socially responsible investors often seek to avoid investing in companies that produce products such as alcohol, tobacco and firearms; green investors seek to put their money into supporting companies that protect the environment. While the movement has taken awhile to generate momentum, the outlook looks bright as concern about energy and the environment continue to mount. (To learn more, read [Socially Responsible Mutual Funds](#).)

### **Supporting Green**

If you are ready to go green, investing in companies that engage in environmentally friendly practices is the easiest and most obvious way to show your support. Not only do you get to feel good about your investment, but you also get to make a profit if the enterprise is successful. Less obvious, but not to be overlooked, is the opportunity to vote with your dollars in other ways.

In addition to buying stock in environmentally friendly companies or companies engaged in efforts to solve environmental problems, you can also purchase their products. You'll get to enjoy the products themselves and every dollar you spend will help to support your investment. In a similar fashion, if you identify companies that operate in ways that are detrimental to the environment, you can choose to keep their stocks out of your portfolio and their products out of your home.