

The Case of Moral Capitalism

The Long and Difficult Road

On the occasion of the CRT Dialogue in Mountain House, 19 October 2020

Feeling Europe Foundation

The Case of Moral Capitalism: The Long and Difficult Road

Feeling Europe Foundation fosters and guides values and affairs, aiming to improve living conditions as well as human condition. The desk:

- brings European values and affairs in front;
- takes position as nexus between citizens and institutions;
- delivers resonance, builds, informs and connects;
- is doing research.

Changing moral standards and values did stimulate to share European values and affairs. This is done via the website www.feelingeurope.eu, social media, campaign material, the network, and by taking part in gatherings focused on all learning disciplines of life. The desk is an outgrowth from the conferences 'Europe: A Beautiful Idea?' (5th) and 'The Sound of Europe'.

The next centres are committed: The Nexus Institute, Center for European Policy Studies (CEPS), Bruegel, Dutch Chapter of the European Movement International, Dutch Society for International Affairs, the Royal Dutch Economic Association, Caux Round Table for Moral Capitalism, Convention of Independent Financial Advisors.

The founder lives and is trained in the Netherlands. He worked for decades in several professions and business at financial institutions, mainly within the internal control sector, and from managerial positions. He got involved in the different stages of the classic financial bubble.

The Case of Moral Capitalism: The Long and Difficult Road

There is a Difference



Shareholder



Stakeholder

The Case of Moral Capitalism: The Long and Difficult Road

INTRODUCTION

In **1986**, some great industrialists launched the **Caux Round Table** group of senior European, Japanese and American business executives. They were in the early 1980s alarmed to hear that the Japanese were dumping their products on the western market and a growing trade war was feared. The need was recognized to build trust among international executives and for Corporate Social Responsibility practices.

Since that time, the group remained committed firm to its case. Many round tables, statements, manifests and declarations, press releases, endorsements, events, through her network and relationships, books and the internet allowed the idea of moral capitalism to survive.

Currently, governments, people who build interconnected multi-stakeholder ecosystems and people who already support **ESG (1)** criteria, see the necessity of new trends in corporate social responsibility and a new socio-economic model, while aspects like lobbies from certain business sectors, vested interests, indifference, fragmentation and division, seem to be obstacles to implement the model as mainstream and get it foothold.

To accelerate the systematic transformation from a 'savage' form, a market free of any constraints, into a capitalism more fair and worthwhile, more can be done. This paper provides some inspiration for this.

(1) Environmental, social and governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

The Case of Moral Capitalism: The Long and Difficult Road

CONTENT

ABSTRACT	1/5
CAPITALISM	2/5
CAUX ROUND TABLE	3/5
CURRENT STATE of AFFAIRS	4/5
SOME MORE ACTIONS	5/5
MEASURING PROGRESS	5/5

The Case of Moral Capitalism: The Long and Difficult Road

On 19 October 2020, Caux Round Table for Moral Capitalism (CRT) **(1)** convened in Mountain House to discuss the future of capitalism and consider what should be done next to hone their efficacy.

The network was launched in 1986 and published in 1994 their international code of good practices.

However, after the publication of the code, we landed in an era of shareholder capitalism. Now, more than 25 years later, the question arose where moral capitalism is ranked and how implementation of this capitalist model can be accelerated.

This paper briefly defines the concept of capitalism, development and progress of the idea of Caux network, and concludes with some remarks to accelerate implementation of the concept into society as well as some thoughts how to measure this.

(1) The Caux Round Table for Moral Capitalism is an international network of experienced business leaders who work with business and political leaders to strengthen private enterprise and public governance to improve our global community”.

The Case of Moral Capitalism: The Long and Difficult Road

CAPITALISM

The economic and political system of capitalism and her characteristics **(1)** has gained a foothold in many countries. The degree of competition in markets, the role of intervention and regulation, and the scope of state ownership however, vary across different models.

Economists, political economists, sociologists and historians have adopted different perspectives in their analyses of capitalism and have recognized various forms of it in practice.

The extent to which different markets are free as well as the rules defining private property are matters of politics and policy. Critics of capitalism argue that it establishes power in the hands of a minority capitalist class that exists through the exploitation of the majority working class and their labor; it prioritizes profit over social good, natural resources and the environment; and it is an engine of inequality, corruption and economic instabilities.

Supporters argue that it provides better products and innovation through competition, disperses wealth to all productive people, promotes pluralism and decentralization of power, creates strong economic growth and yields productivity and prosperity that greatly benefit society.

“To convert the business man into the profiteer is to strike a blow at capitalism ... The business man is only tolerable so long as his gains can be held to bear some relation to what, roughly and in some sense, his activities have contributed to society”

John Maynard Keynes, 1923

(1) trade and industry are controlled by private owners for profit, rather than by the state and private property, capital accumulation, wage labor, voluntary exchange, a price system and competitive markets.

The Case of Moral Capitalism: The Long and Difficult Road

CAUX ROUND TABLE

In the early 1980s, alarmed to hear that the Japanese were dumping their products on the western market and a growing trade war was feared, the need was recognized to build trust among international executives and for Corporate Social Responsibility practices. In **1986**, some great industrialists launched the **Caux Round Table** group of senior European, Japanese and American business executives. Their case and their international code of good practices published in **1994** remains exceptional today.

In **2005**, the 20th global dialogue took place in the former Royal Palace in Warsaw, culminating in the table speech by Lech Walesa on the need for moral values, "*we need a generation of conscience*", he said.

Notwithstanding, recent decades capitalism incarnated into a 'savage' form, an almost truly "free market" (free of any constraints) and is in one of its periodic crises. The depreciation in the subprime mortgage market in the United States, the collapse in **2008** of the investment bank Lehman Brothers and excessive risk-taking by banks caused a financial meltdown, which later became known as **the Great Recession**.

On September 24, **2010**, Caux Round Table Scholars retreated in Mountain House to discuss core themes of Abrahamic social thought during the Global Dialogue 'Repairing our Stewardship of Creation: Abrahamic Social Thought and the Global Economic Crisis'.



The scholars were not the only ones to discuss the functioning of capitalism. Also the public got up. From **2011**, **demonstrators protested the greed of Wall Street and other major financial institutions** and more recently, in **2018**, the **yellow vests movement** protested for economic justice.

The Case of Moral Capitalism: The Long and Difficult Road

Between 2011 and today, CRT remained committed firm to its case in the form of many round tables, statements, manifests and declarations, press releases, endorsements, events, through her network and relationships, books and the internet, and by approaching governments, universities, businesses, chambers of commerce.

Nevertheless, the road to let function moral capitalism in practice is long and difficult. The real breakthrough has still to come. According to some observations, businesses & industries as a whole and their systems **(1)** are not yet ready to embrace the idea of moral capitalism.

In **2014**, MacGregor said: *'business success lies in 'contribution not acquisition,'. 'What is the purpose of business? To serve society. Profit is the reward for service.'* Young entrepreneurs were urged to live and behave the way they would like to see the CEOs of big corporations behave. *'Let us create deep friendship and understanding between us. That depends on honesty,'* he concluded.

CURRENT STATE of AFFAIRS

On the one hand, governments, people who build interconnected multi-stakeholder ecosystems and people who already support an **ESG** approach, see the necessity of new trends in corporate social responsibility and a new socio-economic model. **American CEOs** and **World Economic Forum** issues similar resonance.

But on the other, like lobbies, vested interests, indifference, fragmentation and division, seem to be obstacles to implement the model as mainstream and get it foothold. And thus more effort has to be done if we want moral capitalism to be widely embraced:

(1) In several cases leaders in businesses & industries acted in the spirit of a market free of any constraints by using (combinations of) possibilities and not as a generation of conscience: to propose bonuses, to ask for state aid, to pay out billions to shareholders, to press sectors for excessive discounts, and a lack of interest for impact of pollution, while picking fruits of substantial amount of reserves, tricks for tax avoidance, and by hiring and firing temporary workers, who hardly enjoy social protection.

The Case of Moral Capitalism: The Long and Difficult Road

SOME MORE ACTIONS

More can be done than has already happened in order to accelerate the systematic transformation from a 'savage' form, a market free of any constraints, towards a moral capitalism:

- a curriculum on functioning of different forms of capitalism, along with a tutorial on the meaning of Bildung **(1)**;
- approaching employers' associations and businesses & industry lobbies to convince them of the value of corporate principles and of adjustment of business purposes;
- companies should set short and long term goals, classify their business model with consumption of raw materials, waste and pollution, together with the needs of all stakeholders **(2)**, lay down these broader business objectives in statutes and report regularly the results;
- nudging consumers to buy products and services only from companies that handle **ESG** approach.

MEASURING PROGRESS

Capitalism is complex and very flexible. Several different models of capitalism are alive and coexist. Followers can be either converted from one model to another. An inventory should be made of which models there are and be investigate where moral capitalism is ranked. If we want to increase the chance of seeing this model generally accepted, then:

- mass communication tools and interactions between people should be deployed still much more intensively;
- results of growth in acceptance for the model should be measured in relation to competitive models with use of the right formulas and changes should be tracked through an appropriately defined scale index to monitor progress.

(1) represents both a humanistic and a political ideal;

(2) participants and links in the production process, customers, and shareholders.

“Concern for our own happiness (self interest) recommends to us the virtue of prudence (self-command), concern for that of other people, the virtues of justice and beneficence -- of which the one restrains us from hurting, the other prompts... (us) to promote that happiness.”

Adam Smith, *The Theory of Moral Sentiments*, 1749