



## Tackling the crisis with a new world economic ethics?

Successful entrepreneurial engagement is one of the most important drivers of economic growth. Economic growth increases choice, widens opportunities and renders all development efforts in low-income countries easier to achieve.

And yet, the current financial and economic crisis has increased distrust of business and those responsible for conducting it. A small group of intellectuals and practitioners have developed a “Global Business Ethos” manifesto which was presented to the general public for the first time at the Novartis Foundation Symposium on 27 November 2009 in Basel.

While none of the over 600 participants categorically disagreed with the manifesto and thus with the view that globally accepted and respected ethical ground rules would help to avoid another crisis, a number of criticisms and concerns were raised calling for a rethink of the relationship between poor and rich countries.

Highlights video of the symposium:  
[www.youtube.com/](http://www.youtube.com/)

Recording of the entire day:  
[www.novartisfoundation.org/webcast](http://www.novartisfoundation.org/webcast)

Speeches and biographies of speakers:  
[www.novartisfoundation.org/symposium](http://www.novartisfoundation.org/symposium)

I hope you enjoy reading the newsletter and thank you for your continued support.

A handwritten signature in blue ink that reads "Klaus M. Leisinger".

Klaus M. Leisinger

## Individual ethics and collective responsibility

On 27 November, the new auditorium of the Novartis Campus in Basel played host to the Novartis Foundation Symposium on ethics in the global economy. A number of eminent speakers discussed the role of ethical behavior in reshaping the economy in the wake of the global financial crisis and in tackling world poverty.



The event also marked the public launch of the Global Business Ethos manifesto, an initiative to engage those involved in the economy in a set of globally-applicable ethical principles. The manifesto aims to serve as a complement to policy frameworks regulating business conduct. “Legislation is not enough,” argued President and Founder of the Global Ethics Foundation, **Hans Küng**, one of the main authors of the manifesto. It needs to be underpinned by an ethos that strives to prevent greed, fraud or corruption. Without a solid foundation of ethical values, political efforts to formulate and implement market reform will struggle to succeed.

## Humanity and reciprocity

The manifesto builds on the Declaration Toward a Global Ethic endorsed in 1993 by the Parliament of the World’s Religions. It draws on the fundamental, universally valid principles of ‘humanity’ and ‘reciprocity’ shared across all cultures and religious denominations. At its heart is the moral principle known as the Golden Rule: “Do not do to others what you would not like to be done to you.” This underlies basic ethical concepts such as freedom from violence, fairness, truthfulness and partnership. The manifesto, Küng stressed, is intended to prompt those involved in the political arena – employers, employees, politicians and consumers alike – “to act ethically from the inside out.”



For business ethicist and manifesto co-author, Professor **Josef Wieland**, society is a stakeholder in the economy, and companies must increasingly view themselves as part of society. Globalization calls for globally binding values to create a sound base for a transcultural management system.





The goal of such a system is not to impose a universal business culture – or Western ‘value imperialism’ – but “to unite national cultures, professional traditions, company practices and individual customs in a ‘network of diversity’ shaped by shared principles and values.”



The notion that all people intrinsically share the same core ethical values was questioned by Turkish philosopher and human rights activist **Ioanna Kuçaradi**, however. In her view, ethical conduct is conditioned by social context, arising from an extensive process of education and socialization.

Hans Küng acknowledged that the universality of a normative concept such as the Golden Rule does not preclude people from applying ethical precepts contextually. Universal norms must be applied through the filter of prevailing circumstances: “Ethical is not simply what is good or right in abstract terms, but also in concrete ones. In other words, the obligation only becomes concrete in the specific situation.”



## Leadership and organizational values

The importance of ethical leadership was recalled by **Klaus M. Leisinger**, President and CEO of the Novartis Foundation. In his view, corporate leaders should act as role models in the implementation of ethical business principles. Responsibility lies with senior management to define the guiding normative principles of the organization and implement these, both within the company as well as in its relationships with the outside world.



Ethical training should be a “mandatory component of corporate learning” in all multinational companies, as empirical evidence indicates that this helps to develop an ethical corporate culture. Ethics should also be taken into account in recruitment decisions when selecting managers and promoting employees to senior positions. Moreover, overly-rapid career progression should be discouraged, for “ethically responsible behavior is a process, not a singular occurrence,” according to Leisinger. Measures such as these will help equip companies with the morally responsible mindset required to compete with integrity in different cultural and legal contexts. Social sensitivity and ‘ethical musicality’ of top corporate leaders will also help to address the complex challenges facing a world in which some 1.5 billion people live in absolute poverty and the poorest 20 percent of the population account for only 1.4 percent of its income.

## Grassroots power and a fairer economy

Empowering the poor in the global economy was the core challenge for **Deepa Narayan**, director of the Global Development Network and World Bank Project Director, 'Moving out of Poverty'. Quoting a survey conducted among 60,000 people in 15 countries, Narayan revealed that the will and desire to escape suffering play only a negligible role and that hard work is no guarantee of success: instead, limited access to markets, price fixing by wholesalers and credit racketeering contrive to trap people in a cycle of chronic poverty.



Self-help groups and large grassroots organizations with strong foundations, broad support, effective management and extensive networks offered the most sustainable route out of poverty. According to Narayan, the organizations that are most successful remain flexible and gear their activities to the needs of their target group: India-based AMUL, for example, concentrates on manufacturing and marketing milk products, while Grameen Bank specializes in micro-credit.

But poverty will not be overcome without a resolute commitment on the part of all market players, including private companies, to create an economic playing field based on the principles of fairness and justice.

## Global financial crisis and the poor

**Sarah Cook**, Director of the UN Research Institute for Social Development (UNRISD) was skeptical that the fight against poverty would figure prominently on the agenda of wealthy countries in the foreseeable future. The global financial crisis had wreaked havoc all over the world, but nowhere more so than in the Third World, raising the number of people suffering from hunger by 100 million to its current level of one billion.



Even if the recovery suggested by recent growth trends actually takes hold, most people will not feel the benefits, according to Cook. The financial crisis has adversely impacted almost all areas which play a role in advancing the progress of poor countries. Private capital flows – especially money sent by emigrants to dependants back home – have dried up, and trade and development aid have been scaled back. As a result, poverty is likely to continue to rise and school attendance will decline as parents struggle to pay tuition fees. The situation has been compounded by the fact that in many countries, thirty years of neo-liberalism have led to the phasing-out of the very public services now so urgently required to meet social deficits.

## Danger and opportunity

It was striking, Cook argued, how quickly governments were prepared to use taxpayers' money to rescue banks, yet how slowly they responded to meeting people's fundamental needs. In keeping with the Chinese word for 'crisis' – made up of the characters for 'danger' and 'opportunity' – the global financial crisis has brought to the fore the importance of strong state institutions, offering an opportunity to reconsider the role national and international institutions play in safeguarding livelihoods.

Going forward, Cook hopes institutions like the International Monetary Fund will assume a renewed role in safeguarding social systems and promoting development that reconciles social and economic policy. Trade policy and food security were as intrinsically linked as industrial and employment policy. To the new social contracts at national level should be added an international 'new deal' focusing on employment and promoting socially and ecologically sustainable forms of development that empower people to take care of themselves.

## Upheaval on two fronts

For **Peter Niggli**, Managing Director of Alliance Sud, the umbrella group for Swiss relief organizations, the current crisis marks upheaval on two fronts. On the one hand, it signals the end of the neo-liberal era, launched around 1980 by Ronald Reagan, Margaret Thatcher and Deng Xiaoping. On the other hand, the climate crisis represents the demise of the current model of industrialization, one essentially based on burning fossil fuels.



The geopolitical power shift occurring as Asian superpowers become more influential and the supremacy of the United States erodes is accentuating this upheaval. Niggli believes these trends present a valuable opportunity to renegotiate "the way the WTO and its free trade ideology shape the global market into a domestic market for multinationals."

Like Cook, Niggli noted that increased socio-economic disparity resulting from the current financial crisis was affecting industrialized and developing nations alike. Wages in the United States have stagnated for 30 years, while per capita income has virtually doubled. To address these imbalances, a new framework is urgently required to regulate

the international movement of goods and capital, including the domestication of finance through revised statutory regulation. A new system of trade relations should ensure that developing nations are included in decision-making, that movement of capital is adapted to their needs and that fair export opportunities are provided.

## Sustainable versus fortress economy

In response to the climate crisis, Peter Niggli argued that the current industrial model based on cheap and unlimited availability of fossil fuels must be replaced with global value chains founded on strong regional roots.

The current "transition period between two regimes of regulations" offered a powerful opportunity for social and ecological renewal leading to a more sustainable global economy mindful of the needs of the poor. But such a positive outcome was not guaranteed: an alternative future scenario could see the rise of 'fortress' economies where neo-conservative forces vie for scarce resources and a "resigned laissez-faire attitude to climate politics" reigns. Niggli deliberately left the question unanswered as to which future was more likely.

## Reforming institutions, strengthening governments

Power was a key issue for **Donald Kaberuka**, President of the African Development Bank. Development and the fight against poverty, he believes, are hugely dependent on the will and capacity of those in positions of authority, who are often too weak to push their objectives through. They have also been hamstrung by widely-held neo-liberal beliefs that state





intervention hampers development and that money should be directed towards socio-political measures rather than investment in infrastructure such as building roads and water supplies – ultimately a far more sustainable approach to tackling poverty.

A former Finance Minister of Rwanda, Kaberuka made no secret that he expected very little from the opening up of markets driven by the WTO, observing that “there is no point in opening up our markets if we ourselves cannot sell anything.” Differences between the industrialized north and impoverished south where free trade is concerned are even more accentuated when it comes to climate change. Africa contributes only three percent of global emissions, which means the industrialized nations must assume responsibility for the reductions in greenhouse gases necessary to combat global warming, according to Kaberuka.

If managed fairly, globalization will bring with it opportunities for poor countries, but to ensure this happens they must be recognized as equal partners. At G-20 conferences, for example, Africa remains excluded. This has to change: “We don’t just want to listen in on decisions, we want to be involved in making them,” Kaberuka emphasized. Empowering and reforming international institutions was therefore vital.

## Towards shared responsibility



Reviewing the one-day debate, Klaus Leisinger concluded that no-one had raised fundamental objections to the manifesto for a global financial ethos. The growing imbalance between rich and poor noted by many speakers highlighted the responsibility of wealthy nations to shoulder their fair share of the burden – financially and in terms of climate policy. And the ethical principles underpinning such shared, collective responsibility applied equally to individuals: we must all be willing to do our bit. “The future is open,” Leisinger summed up with the words of philosopher Karl Popper. “It depends on how people act both now and in the future. (...) It depends on how we view the world; and how we judge the many future scenarios available to us. We all need to shoulder this collective responsibility.”

It is hoped the Global Business Ethos manifesto will play an important part in achieving this.

