

***GLOBAL ECONOMIC ETHIC—CONSEQUENCES FOR GLOBAL
BUSINESS: A RESPONSE***¹

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Thank you all for the opportunity to comment on this inspiring and provocative Declaration. I have long been an admirer of Hans Küng’s work and the activities of the Novartis Foundation. Global Economic Ethics is a stunning set of principles and one would wonder why any global corporation or other international organization would not adopt this manifesto as an integral part of their organization mission and vision. Since I come from a Western perspective and have written extensively on human rights, I find these principles obvious, universal, and timeless. The Declaration also reminds us of what Adam Smith wrote about some 230 years ago—that ethics and economics (and according to Smith, politics) are intricately intertwined. One separates them at one’s peril, as we saw in the recent financial meltdown.

My task, however, for the dialogue, is to present a critical review of the Manifesto. I shall raise two sets of questions.

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First, Let us take the perspective of a CEO of a global western-based transnational corporation, to raise some worries about ambiguities in the principles and implementation in practice.

Then, and these comments will overlap with the first set, I shall speak about the Declaration from a nonwestern cultural perspective to think about whether and how these principles could be interpreted in different nonEuropean/nonNorth American cultural settings. Underlying this is the assumption that there are some behaviors and alleged values that are just wrong, period, anywhere, but also that there may be differing and sometimes conflicting world views which are not unreasonable or unethical. .

Let us suppose that a CEO of a large global company embraces the principles of the Global Economic Ethics declaration and embeds these principles as part of the mission of the company. The challenge, now, is operationalizing these principles in practice.

Article 3 states that one of our duties is “to promote good and avoid evil.” Another, Article 5, is to avoid “the impairment of people’s health through adverse working conditions,” and in Article 6, the duty to promote “sustainable treatment of the natural environment and the avoidance of waste.”

Let us suppose that this company is in the international shipping business. When its ships become obsolete it sends them to one of the shipbreaking operations on the west coast of India. This is because most Western countries have strict guidelines for shipbreaking that makes that cost prohibitive. These operations dismantle these ships and recycle almost 90% of all materials. That is positive and fits within the guidelines of the Declaration. Each shipbreaking operation provides up to 40 thousand jobs. That is also good. The downsides, however, are equally challenging. These operations create enormous pollution in this process, both on land and at sea, and working in these conditions is highly toxic to the workers. When asked about the environmental degradation and health risks, one foreman at one of these sites baldly explicated the dilemma. He said, “The question I want to ask the environmentalists is if you should want to die first of starvation or pollution.”² Shall this company send its ships there or let them rot in some harbor?

Article 8 states, “The suppression..of corrupt practices,, demands preventive engagement, which is the duty of all those active in the economy.” Again of course the CEO agrees and recognizes the human and capital costs of corruption. But increasingly in the expanding global economic environment,

² William Langewiesche, “The Shipbreakers,” *Atlantic Monthly*. 2000.

we see a variety of business models including public-private partnerships and government owned business enterprises. If this company needs to engage in a partnership with a government-owned enterprise in order to enter a certain market, how does this company deal with an enterprise traditionally operating on paternalistic hiring practices, “deal-making” with other government officials or relatives, bribery, extortion, etc.? Or does it avoid those markets?

Should this company take the moral risk of entering into business in a corrupt country with the goal of operating “cleanly” and setting a positive model for other corporate ventures, or should it avoid those engagements? There is a moral risk of nonengagement since perhaps that company could make a positive difference for workers, the environment, and for the economy, and an equal risk of engagement and becoming complicit in corrupt activities.

Article 1 states that one of the goals is to “fulfill human beings’ basic needs.” Does that mean that part of corporate responsibility is philanthropy or charity? Or might it be better in the long run to use those funds to create economic opportunities for self-development and economic independence?

This company also sells consumer goods. It outsources much of its manufacturing through contracts with local suppliers who own and run the

manufacturing operations. The Company does not own these operations, they have no contact with its workers, and they are not as familiar as they might be with the culture of the countries in which their goods are manufactured (or their services rendered). While this company treats all *its* employees with dignity and respect, etc. what happens in the units owned by its suppliers? Is this part of corporate responsibility? One is reminded of Nike which, responding to public pressure, now insists that its suppliers adopt Nike's code of ethics which includes advocacy for decent working conditions, minimum wage pay and pay for overtime, the abolition of child labor below the age of 14, child care provisions, etc. But how far down the supply chain is any company responsible? What about the suppliers for the manufacturers? Are there any limits to corporate responsibility?

Let us suppose that many of the suppliers to this company are in Bangladesh where there are approximately 2 million women working in factories. So let us look at the scenario from another perspective. Suppose that you are a union organizer for the Bangladeshi Center for Workers; Solidarity. You know that many workers will not sign up because of fear of being fired in the sweatshops where they work. How does this Declaration address unions and union concerns? How can the Declaration operationalize

an international appeal that will make a difference on the ground in Bangladesh?

A third perspective on this scenario. Suppose that you are a sweatshop worker who desperately needs that job. The Union urges you to organize, become a member and protest, but you will be fired if you do that. How does the manifesto protect the rights of this worker “on the ground,” in practice when she has to eat and support her family?

Notice, too, that in each of these perspectives there are individuals who are affected by what this company does or does not do. The manifesto sometimes speaks in generalizations although it is focused on individuals. How can we put names and faces on each of these individuals erasing the anonymity of their claims to rights.

My simple point with these examples, is that it is very difficult in practice not to engage in economic activities that are “grey” or imperfect. So while this Manifesto sets up ideal standards, how do companies, good companies deal in practice with these ambiguities? And how do we remember in practice that each individual matters even though we sometimes think of them collectively?

Now to the second challenge: a nonwestern perspective. And here as a proviso I am projecting what it might be like to read this Declaration from this perspective; I cannot guarantee the accuracy of this speculation.

The principle of humanity states that “every human being...possesses an inalienable and untouchable dignity....Humans must always be the subjects of rights...” But it is likely the case that in some communities, in difficult situations, interests in protecting and preserving the community trump individual rights. Indeed some nonwestern world views question the *primacy* of “inalienable dignity of the individual” as being a threat to a community or religious tradition. Sometimes religion or a religious leader trumps individual rights. How can the Declaration address these substantive normative differences in priority between the individual and the community?

As an aside, it occurred to me that in many global corporations the hierarchical structure of that company and corporate goals often trump employee rights, so this phenomenon is not an anomaly in industrialized nations either. Interestingly the 19c Social Darwinist Herbert Spencer, known for his radical individualism, argued persuasively near the end of his career that individual freedoms are best preserved in a democratically employee-

managed company!³ Should corporate priorities always trump individual rights? If not how can we change THAT mind set? So if the inalienable and untouchable dignity of individuals is to trump community interests, there is work to be done here in Western companies as well.

Moreover, how does a company deal with issues of equal opportunity and diversity in countries where there are deeply ingrained cultural traditions separating men from women, race or ethnic divisions that imagine that another race or ethnic origin is less than human, etc. And how do members of those communities address what the Declaration calls “mutual respect, partnership and understanding” in paternalistic or maternalistic communities with these ancient embedded traditions. Are we asking these traditions to be overthrown? While not endorsing paternalistic domination, might there be a way to embed respect for the community in the Declaration which respects collective as well as individual rights?

In this regard, the Declaration states that “Minorities—be they racial, ethnic, or religious—require protection and support by the majority.” Are companies and individuals, then, the guardians of minority interests? Might

³ Herbert Spencer, *Essays: Scientific, Political and Speculative*. 3 volumes. New York: D. Appleton and Company, 1892 III, pp.5 2-53 and *The Principles of Sociology*. Three volumes. New York: D. Appleton and Company, 1896. III, Part 8, 504-516.

the intent of the Declaration rather be that minorities be given equal opportunities and treatment as equals while respecting their differences? Shouldn't a company and its leadership be able to operate multiculturally in a global economy?

One final example not related to the others. Imagine that you are a small but successful farmer in Kenya. You grow a variety of crops and are fairly successful with good productivity and fine produce. But tariffs prevent exporting these to the richer Western nations. What are your rights? Are they protected by the Manifesto?

My conclusion: the Global Economic Ethic sets up beautiful principles, and as an unreconstructed Western rights theorist, I applaud them. But I urge that we look at how to operationalize them in diverse settings and under various conditions, recognizing that even the best companies sometimes have to take moral risks and be content, as Herbert Simon once suggested, to be satisficers. We have to try to figure out how to translate these principles of global economic ethic in parts of the world where community rights trump individual claims. And, and this is the biggest challenge that is implicit in many of my examples, how do we as individuals, as executives and managers, and as part of the global community exemplified by the UN Global Compact

work to change *political* climates of corruption, domination, patronage and protectionism, climates that interfere or preclude going forward with the adoption and operationalization of these principles everywhere.