

## **The Global Economic Crisis Requires a Global Ethic**

### **The Manifesto for a Global Economic Ethic**

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A couple of years ago, when I would speak on ethical aspects in economics, I felt often like a voice calling in the desert. With the present global economic crisis, however, it has become much easier for me to address this issue. More and more people realize that this crisis has also to do with common ethical values and standards. One might argue: do we not have laws which need just to be enforced? Sure, solutions to this crisis require all provisions of the law. But laws are not enough. As you know the political will to fight greed, fraud, corruption and self-aggrandizement is often weak, because it is not supported by an ethical will. Laws without morality cannot endure, and no legal provision can be implemented without moral consciousness based on some elementary ethical standards. But is this not just an issue of individual morality? Not at all, it is also an issue of corporate morality and concerns the global market economy as a whole. Hence my first reflection:

#### **1. The failure of markets, institutions and morality calls for an ethical framework**

Recent experiences have proved that the sustainability of the market economy is by no means guaranteed. Indeed, one cannot escape the fact that the emergence of global capitalism has brought with it an entirely new set of risks. Trying to find a single reason for, or solution to the challenges of the global market economy in a particular country or in a particular region is unlikely to be successful. In fact, what we often observe is that, in such a situation, mutual recriminations occur: economists accuse politicians and politicians accuse economists; while the average citizen frequently sees the moral defects of both protagonists. In any case, if only one of the

three elements, whether it be economics, politics, or morality, does not work, it can cause serious difficulties for the market economy.

Scholars distinguish between three types of failures of the capitalist system (cf. John Dunning, *Global Capitalism at Bay*, 2001):

1. **A failure of markets:** moral hazard, inappropriate macroeconomic politics, excessive speculation (property and stock market), etc.
2. **A failure of the institutions:** inefficient functioning of the regulatory and supervisory systems, an inadequate legal and financial infrastructure, lack of accountability and/or transparency and inadequate standards in financial reporting.
3. **A failure of moral virtues,** which lies at the core of the failure of the markets and institutions. Such failures include casino-capitalism and corruption, lack of truthfulness, trust and social responsibility, and excessive greed of the investors or institutions, falsified balance sheets and illegal manipulation of the markets.

Of course, all three dimensions are man-made and can be influenced by men: the markets by the behaviour of customers and the supply-structures, the institutions by wise regulations, enforced standards and transparent self-commitments. People have therefore the moral responsibility to build an adequate institutional framework for the economy.

Obviously ethic is not just the icing on the cake, is not marginal or artificially put on features in shaping global market economy. No, it is justified to talk of a **moral framework** which is both interactive and interdependent with the economic function of the main institutions of the economic system: markets, governments, civil society and supranational organisations.

One conclusion we can draw is that ethic does **not only** denote **moral appeals, but moral action**. Nevertheless a strain is often needed in the economy, as within the contemporary crisis, in order to create the pressure to reform which can turn into a political agenda. I strongly believe that in the long run, the global market economy will only be accepted in the different regions and nations if it is socially acceptable.

After all, in a democratic society the majority of the electorate has repeatedly to be convinced that a strong ethical framework supports both the operation and effects of the global markets and the extramarket institutions. Such a framework influences the behaviour and the decisions of those who are directly involved in the process of production and distribution and of those who bear political responsibility. But what could be elements of this ethical framework? In this respect a lot of people have doubts: Is a global consensus possible? Hence my second reflection on:

## **2. The claims of the UN Global Compact as well of the OECD guidelines require cross-cultural ethical values and standards**

Obviously, all ethical values and standards are culture bound, but there are core values and standards that are universal. In this respect, the **UN Global Compact**, which was initiated by Secretary-General Kofi Annan in 1999 offers a most valuable starting point. It has already been joined by more than 5200 corporate participants and stakeholders from over 130 countries. I am most grateful to its Executive Director Georg Kell for having accepted to be a co-convenor of our symposium. The **claims** it makes on the corporate conduct in a globalized economy are **fourfold**: (1) Respect and support of Human Rights, (2) adhere to responsible labour standards, (3) protect the environment according to the precautionary principle, and (4) work against corruption in all its forms. These claims are obviously based on the conviction that everywhere on earth - i.e. in all societies, cultures and religions - people need to recognize and accept comparable basic pillars which allow them to live together peacefully without compromise to their interests and concerns. In this respect, the contents of the UN Global Compact are very much in accord with the ideas of the **Declaration Toward a Global Ethic** of the Parliament of the World's Religions in Chicago in 1993 of which I had the honour and burden to function as drafter. It has been confirmed by the InterAction Council's proposal for a »Universal Declaration of Human Responsibilities« and by the Manifesto »Crossing the Divide. Dialogue among Civilizations«.

Based on the Chicago Declaration, the new Manifesto, »**Global Economic Ethic – Consequences for Global Businesses**« intends to support the Global Compact from the angle of ethics.

At this point also the **OECD guidelines for multinational enterprises** (MNEs) (OECD 2000) deserve to be quoted. Their claims presuppose very specific ethical standards, notably

- the claim for disclosure: it requires the will to **truthfulness**, honesty, transparency.
- the claim for environmental protection, public health, and safety: it requires **reverence for life**, all life including that of animals and plants;
- the claim to refrain from slush corruption and bribery: it requires both a basic attitude towards **justice and fairness** and the will to encompass a just economic system;
- the claim to avoid any kind of gender, colour or age discrimination at the workplace: it implies the ethical conviction of the **partnership** of men and women and the necessity for equal rights.

Who assumes that these are only abstract and general statements should read the already mentioned **Declaration Toward a Global Ethic**; the text can be found on the homepage of the Global Ethic Foundation ([www.global-ethic.org](http://www.global-ethic.org)). There, principles stemming from all the major ethical and religious traditions are applied to contemporary situations. All this leads us to conclude that the question of cross-cultural global values and ethical standards which is crucial for the success of global market economy can, indeed, be answered, despite all cultural differences. This leads me to my third reflection:

### **3. Such a Global Ethic is based on the principles of humanity and reciprocity and the basic standards of non-violence, fairness, truthfulness and partnership**

A lot of what is proclaimed as God's commandment in the Hebrew Bible, in the New Testament and in the Koran can also be found in the religions and philosophies of

Indian and Chinese origins and also in humanist philosophies not rooted in any religion.

The Global Ethic Declaration identified two basic principles which underlie all ethical values and standards: humanity («ren» in Chinese) and reciprocity («shu»):

- First, the **principle of humanity**. When this is applied, it changes the atmosphere in any office, factory, store or business: »Every human being – man or woman, white or coloured, rich or poor, young or old – must be treated humanely and not inhumanely, even bestially.«
- Second, the **principle of »reciprocity«** or the Golden Rule. It can be found already in the analects of Confucius, but also in the biblical, islamic and other traditions: »What you do not wish done to yourself, do not do to others.«

The Global Ethic Declaration of 1993 is the ethical frame of reference of this new **Manifesto for a Global Economic Ethic**. The principle of humanity, supported by the Golden Rule of reciprocity (Art 4), constitutes also the foundation (Part I) of this new Declaration (Art 1-4).

Based on these two fundamental principles there are **four basic values and standards** (Part II) one can find already in the writings of Patanjali, the founder of yoga, but also in the Buddhist Canon and in all major religious and non-religious traditions: not to murder, not to steal, not to lie, not to abuse sexuality. They structure also our Declaration:

- a commitment to a culture of non-violence and reverence for life (cf. Art. 5-6);
- a commitment to a culture of fairness and a just economic order (cf. Art. 7-9);
- a commitment to a culture of truthfulness and tolerance (cf. Art. 10-11);
- a commitment to a culture of partnership and equal rights of men and women (cf. Art. 12-13).

**4. The Declaration on a Global Economic Ethic reminds all stakeholders in global businesses of their individual responsibilities for humanizing the functioning of the global economy: globalization needs a global ethic**

You may have noted that our Declaration does not presuppose a specific ethical system («ethics»), but only a few elementary ethical values and standards which are common to all of humanity («ethic» or «ethos» as an internal ethical conviction or attitude, a personal commitment to live by binding values, set standards and personal fundamental principles or virtues).

This declaration was drafted by a group of economists, businessmen, and ethicists under the auspices of the Global Ethic Foundation. It is understood as a response to the current global economic crisis from the angle of ethics but work on the declaration had already started long before. The call for an ethical framework for the global financial markets and global economics has loudly been heard from many sides worldwide since the beginning of the current crisis. By offering this declaration the Global Ethic Foundation builds on its ethical expertise especially expressed by the »Declaration Toward a Global Ethic« (1993).

In the Global Ethic Foundation the authors reflected carefully on the criteria of such a Declaration. It should avoid to be a casuistic moral sermon or an enthusiastic religious proclamation. It should rather

- be related to reality,
- reach to the deeper ethical levels,
- be comprehensible beyond narrow circles of experts,
- be capable of securing a consensus.

The Declaration therefore avoids statements which might a priori be rejected by particular ethical or religious traditions (e.g. on interest). The authors are convinced that the Declaration has been worked out in accordance with these criteria. This new Declaration on a Global Economic Ethic reminds all stakeholders in global businesses of their individual responsibilities for humanizing the functioning of the global economy: Globalization needs a Global Ethic. The declaration has already been signed by: Michel Camdessus, Gouverneur honoraire de la Banque de France; Mary Robinson, President, Realizing Rights: The Ethical Globalization Initiative; Jeffrey

Sachs, Director, The Earth Institute, Columbia University; Desmond Tutu, Archbishop emeritus and Nobel Peace Prize Laureate.

This New York symposium is understood as being the first step in a threefold process to present the declaration to the relevant stakeholders in economy and businesses worldwide and to thus stimulate the global discourse on ethic and economy. The following further steps are planned:

- (1) Presentation and discussion of the declaration at a European high-level symposium in Basel, Switzerland on 27 November 2009;
- (2) Seeking endorsement from 100 signatories from business, economics, and politics by the end of 2009;
- (3) Discussion of the declaration in economic circles, companies, and other relevant forums.

This declaration is not a legally binding document but a moral appeal. The signatories show that they endorse the analyses and suggestions expressed in the Declaration and wish to contribute to the development of an ethical framework for the global economy. But the signatories will not be held accountable for the implementation of any of the demands and suggestions expressed in the text.

Our Manifesto is not a repressive, but a constructive and helpful document. It provides to everybody in these stormy seas an orientation as a chart to steer by, a map with clear ethical coordinates and finally a compass: a conscience which functions incorruptibly even in crisis, an ethical guideline for the difficult decisions that need to be taken in the harsh reality of everyday life.

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