

## Corporate Social Responsibility

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## The Future of CSR will Mirror the Health of Society: Pondering the Evolution of CSR

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*Periodically, TJSGA publishes essays of relevance for The Living Wages North and South Initiative (TLWNSI). This essay envisions the future of Corporate Social Responsibility (CSR) in the mid and long term. The author delves into the distant future, parting from a recent exercise of exploring CSR, ten years from now, that Allen White<sup>1</sup> offers us in his essay "Fade, Integrate or Transform? – The Future of CSR." The author first establishes that the future of market societies is not sustainable, for governments, which are supposed to be democratic, have partnered with big capital to pursue their very private interests and have abandoned their responsibility to procure the welfare of all ranks of society. Today, the goal of this partnership is to obsessively pursue, with a very short-term vision, the greatest possible shareholder value, regardless of the social, economic and environmental impact. Thus, the author foresees that this ethos will be radically transformed by society to build a new paradigm that, coinciding with White's third scenario, redefines the purpose of business. Yet, the author considers that redefining the end of business will require the complete redefinition of the purpose of democracy and its societies. The author argues that, given the pressing social and environmental decay, society will not allow the current ethos to prevail, and it is already seeking to build an ethos of real and direct democracy, participative and bottom up, that places social welfare above the private interest. In this way, the future of CSR, as such, will disappear to assimilate itself to the para-*

*digmatic shift in which social welfare becomes the primary purpose of business, governed by universal laws and standards that rule its activity. Yet, the author deems that this will not occur before the term of one generation, for building a truly democratic ethos entails redefining the pillars of society, from democracy, liberalism and the purpose of business to individualism, solidarity and the precedence of the community to create an entirely new culture for the 21<sup>st</sup> Century and beyond. Thus, this shift, which is already in motion, will be accomplished gradually as more and more people worldwide take conscience of the unsustainability of the current ethos and of the urgency to build a new paradigm to bequest to future generations.*

### □ INTRODUCTION

CSR is at the juncture of its development. CSR can become a tool of corporations to be used tactically to defuse criticism and protect their image or it can become an effective tool in truly democratic societies to make corporations socially and environmentally responsible by creating a sustainable business ethos. In thinking about probable outcomes, Allen White recently prepared a paper addressing the future of CSR ten years from now by imaginatively pondering on the characteristics and implications of three plausible outcomes. This paper attempts to further explore, from the perspective of The Jus Semper Global Alliance (TJSGA), the three scenarios advanced by White in his recent paper "Fade, Integrate or Transform? – The future of CSR", as well as to further imagine into the future what would be a most sensible outcome and the conditions that need to prevail and the actions that need to be taken for this outcome to become very plausible.

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### □ CSR IN CONTEXT

Before entering into such exploration, I must put the current state of CSR in the broader context of the political and economic climate in which the world is living. In my opinion, CSR is still in an infant state, and it will continue to be in such a state until we are capable of changing the current structures of our so-called democratic societies in a globalised world, for there is no real democracy at the present time. As the title of this paper states, the current state of CSR is a reflection of the state of society. Thus, CSR will always mirror social development, and what we currently have has little resemblance with an ethos of real-democratic societies.

The ethos in which we are living is a mockery of representative democracy where, with varying degrees, the people of a nation are called to choose, from a limited menu of members of the political class, who will be the leader of their government for a specific period of time. In the process, the electoral campaigns make a point of being as ambiguous as possible in order to not jeopardize contenders later with promises or commitments that typically they have no intention of keeping. This is possible because

there are no real structures for accountability and compliance with their campaign offers; so the risk of being impeached directly by the people is minimal.

In today's so-called democracies, the people who finance the campaigns of those who compete for office are those who define their political agendas. But the former are not regular individuals who make small contributions, but rather wealthy individuals or their corporate businesses. Thus, despite all the rhetoric to control campaign financing, it is the interests of these money sources that dictate the issues and priorities of the contenders for office. The old Greek agora, where citizens would meet to reconcile the private interests with the public interest, through representative democracy, is a complete illusion. In fact, the public interest has been, in a myriad of cases, privatised, and the politicians discuss these interests in private with the owners of capital. In this way, we live in a mockery of real democracy because the political class is corrupt; it has renounced to fulfil its responsibilities, and it works in partnership with the global centres of economic power: the global institutional investors, their global corporations and the domestic plutocracies in every Nation State.

What we have almost everywhere is an oligarchic system instead of a true democratic system. To be sure, the politicians' vested interest makes them portray the current ethos as the proper environment of a democratic world. Mass media corporations, who have a central interest in maintaining the status quo, energetically promote such propaganda. The chants of sirens talk under the context of a world where democracy is rapidly advancing to bring progress and the good things of material life for more and more people to enjoy. But reality proves on a daily basis that we are far from living in an era of democracy. All we have is a rudimentary electoral democratic system where a few choices are offered to the electorate to fulfil the most basic aspect of democracy. The process to select a roster of candidates is usually a monopoly of the political class, so the initiative to propose a candidate rarely begins with the people. Furthermore, in many cases, this process is rigged. Thus, the

winner is usually the electoral team who is more effective in controlling the process to its advantage.

Relative to the policies taken by governments, there is no latitude for the people to participate in the decision-making process. In the most advanced democratic systems, especially in the Scandinavian countries, the European Union, and a few others, there is some incipient practice of direct democracy by using referendums to pass judgement on some fundamental issues. Beyond that, there is a deluge of evidence proving that many decisions that are taken, supposedly on behalf of the majority, turn out to benefit a tiny elite at the expense of the majority. We witness thousands of instances –most go beyond the realm of this paper– where governments take actions both domestically and internationally that benefit the private interests at the detriment of millions of people all over the world. These outcomes, to be sure, are not unintended. They are the result of preconceived schemes where the political actors are very conscious of the negative consequences of their actions but have no qualm in taking them in pursuit of their very private interests. The world has been privatised, and the private good is unrelentingly portrayed as the public good. By the same token, individualism, hedonism and the pursuit of the self-interest, without any regard of the consequences of the practice of these morals on the community, are incessantly promoted as the right way. As a consequence, many people are conveniently and completely alienated from a sense of community and from the political process. This provides the political class a lot of latitude to unilaterally take many decisions at the executive and legislative branches that people would have otherwise opposed if they had been made aware of them and politicians would have engaged them in a truly democratic process of government. There is no involvement, no real engagement and, thus, no citizen participation. People are not empowered to participate and influence governmental and legislative decisions. In this way, there is minimal accountability for their decisions and actions. Thus, representative democracy fails completely in representing the will of the people.

The most relevant event that constitutes clear evidence of the lack of accountability, for the actions that governments take on behalf of their constituents, is the election of the economic paradigm that they have applied to their market-based economic policies. The obvious question is: Who decided that the so-called neoliberalism was going to be applied in a given State? Where people asked to choose from a variety of economic policies so that governments in turn would obey the will of the people? At the very least, were people informed when governments decided to shift from one economic paradigm to another? Were people formally informed –in lay terms– that in the late 1970's their nations were beginning to shift from supply-side economics to demand-side economics? Were the citizens of any nation informed that the deregulation of entire economic sectors was part of the neoliberal paradigm and that this means that economic policy would stop supporting the generation of demand on behalf of the support of supply, which belongs to the industrialists? Were they informed that, in order to do this, the neoliberal mantra calls for the reduction of taxes and the drastic reduction of the Welfare State? Were they explained that, under, this ethos the role of government is greatly diminished and is reduced to act as an agent of the supply side by focusing on monetary and fiscal policy? Were people told that, during times of recession, governments would no longer use public spending to energize the economy in order to maintain employment levels and eventually resume the aggregation of demand? Have governments explained, as White rightly points out, that the most important value under this ethos is not the welfare of society but the permanent increase of shareholder value by increasing efficiencies and competitiveness at the expense of the welfare of millions of families who would lose their livelihoods? Were they informed that the government's proposal was to shift from a Keynesian demand-side ethos –where governments have a key role of regulating the economy in order to harness the natural predatory instincts of the market players– in favour of the Hayek/Friedman neoliberal supply-side paradigm –where the outcome is left up to the forces of the so-called free markets– despite the fact that only a few in each sector would be able to compete under ideal circumstances, whilst the rest would

compete with great disadvantages or would be completely excluded from the market? In a nutshell, did governments fulfil their most basic democratic responsibility of procuring the welfare of all ranks of society by explaining to people – again in lay terms– that there are different ways to apply economic policy and convey an honest picture of the social and economic consequences of the use of demand-side or supply-side economics? In a participatory fashion, were people asked to select through an informed referendum one of the two paradigms? The answer to these questions is obviously no. In the best of cases, people were told that, in order to achieve economic growth, the support of the owners of capital was necessary, because they in turn would invest in new business ventures that would generate wealth, which in turn would surely trickle down to all ranks of society. The implicit and perverse call to citizens in this rhetoric was to make an act of faith on the promises of their governments.

The end result has been the widening of the gaps between rich and poor all over the world in both rich and poor countries alike. Just last August, the U.S. Census Bureau, in its 2004 annual report on Income, Earnings, Poverty, and Health Insurance Coverage, reported that the number of U.S. citizens in poverty is rising and the gap between rich and poor is clearly increasing.<sup>2</sup> Yet, this is nothing new. The non-partisan independent think-tank, the Economic Policy Institute, in Washington, has been reporting for many years, on its bi-annual flagship study “The State of Working America”, that the gap between rich and poor in the U.S. has been steadily widening. In this way, domestically, the policies of governments have been adamantly pursuing – for the past thirty years– the further enrichment of their oligarchic class. This is in stark contrast to the post-war period up to the 1970s. The capitalist world that we are living in today is a renovation of the Industrial Revolution of the classical liberal era of the robber barons of the Gilded Age. Indeed, internationally, the greatest

economic powers insist on imposing an ethos that benefits their mega-corporations and their oligarchic partners in every State at the expense of their populations. What we have is an oligarchic global system with a North-South partnership where each Southern State is a Client State of these partnerships for their exclusive benefit. The most powerful nations in the so-called North seek to have the greatest number of client states in the so-called South under their control in a re-invention of neo-colonial capitalism. It is a new centre-periphery relationship operating in accordance with the neoliberal mantra of the so-called Washington Consensus. These centres exploit in partnership the human and material resources of the periphery, in a renewed neo-colonial North-South partnership that maintains the exploitation of resources for the exclusive enjoyment of the North-South elites. Nonetheless, the specific feature that distinguishes global neoliberalism from previous stages is not anymore a strict relationship between a power and a periphery country. It is now truly global, not any more strictly North-South, for it cuts across social ranks, including some and eliminating others, both in the core and in the periphery.

The motive is the maximum flexibility of the factors of production, in such a way that the owners of capital can freely exercise their creative and Darwinian destruction by moving in pursuit of the best locations to produce, to have access to the most efficient labour markets and to have access to consumer markets. The so-called neoliberal globalisation means that consumer markets, production and labour have been globalised, by opening the economies of nations to global corporations for their free access in the way it best fits them. But wages and a universal welfare system have not been globalised. Thus, corporations roam the world in search of the most convenient and friendly locations for production and the exploitation of human and natural resources without a global framework imposing a set of responsibilities in order to achieve a sustainable market system. The supply side has been globalised with all its inherent benefits for the industrialists, but the demand side premeditatedly has not, with all

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<sup>2</sup> U.S. Census Bureau. Housing and Household Economic Statistics Division News Conference on 2004 INCOME, POVERTY, AND HEALTH INSURANCE ESTIMATES FROM THE CURRENT POPULATION SURVEY. August 30, 2005.

the inherent harm to societies and the environment. To maximise shareholder value is the sole objective.

In this way, we live in pseudo-democratic societies because true democracy is still an aspiration in the vast majority of nations, including the so-called G8.<sup>3</sup> Our nations are sick because the structures that were supposed to be the pillars of representative democracy have been corrupted. The executive branches, parliaments, the judiciary have all been co-opted to a great extent by the power of big capital. As for the multilateral organisations such as the UN, the OECD, the Bretton Woods institutions of the World Bank and the IMF and the WTO, they all follow the agenda of the major centres of economic power, or are being increasingly dismissed when it suits these nations' "national" interest. The UN continues to be a mockery of democracy, with the same structure imposed at the time of its founding with five nations having veto power, which makes it completely undemocratic instead of a beacon of democracy. Last September's UN Summit of the General Assembly to commemorate its sixtieth anniversary was a fiasco. The UN was proposing a comprehensive UN reform. Kofi Annan, the UN Secretary General, proposed a reform plan that included fundamental efforts to support the development of the poorest UN members, a renewed effort to meet the Millennium Development Goals, the consolidation of the peace processes in nations coming out of diverse armed conflicts, disarmament, the no proliferation of nuclear arms, the enhancement of actions to preserve and improve the environment, the combat of terrorism, new mechanisms for the provision of international justice in cases of genocide and war crimes, the defence of human rights, and the expansion of the Security Council and of the number of permanent members. The elimination of the current antidemocratic veto power of five permanent members was not even considered in the proposal. Yet, the whole thing was reduced to a few agreements and a list of good wishes. What was actually accomplished was far less compared with the proposal for an

<sup>3</sup> France, Germany, Italy, UK, US, Canada, Japan and Russia

urgent and bold revamping of the UN. As Kofi Annan reluctantly had to concede to complaining journalists, national interests prevailed over the collective interest.<sup>4 5</sup>

It is in this context that we have to assess the current state of CSR and its potential future. The corollary is that, unless we change the modus operandi of the market system, from the current Darwinian brand of capitalism to a system where the market is only a vehicle to allow people and their societies to establish a sustainable ethos that generates welfare for all, and the will of the centres of global capital prevail, CSR will have no value as a social vehicle to make global capital put people and the environment first and then their very private interests. If we continue to have very sick and incipient democratic structures with a plutocratic system prevailing, CSR has no future, for it will always be a reflection of society. If shareholder value and short-termism prevail as dogmas, market-based societies are doomed. Thus, before we can realistically aspire to build a good CSR practice, we must first build a real, bottom-up, participatory and direct democracy to put society above the market. Yet the citizenry is the only one who can build true democracy, by mobilizing in an organised manner to force change; for there is not, and there will never be, the political will from those who benefit from the current ethos. Real democracy has to be built before CSR is put to work for the public good and not the private good. It may take a generation or more, but this is what it has taken for humanity to achieve great positive changes in the past.

### □ THREE PLAUSIBLE OUTCOMES FOR CSR

In his paper, Allen White explores three potential visions in the future of CSR ten years from now in 2015. The first vision is denominated the "fad-and-fade scenario"; a vision where CSR returns to its most superficial form in a failure of its own

<sup>4</sup> Transcript of Press Conference by Secretary-General Kofi Annan, 13 September 2005.

<sup>5</sup> Editorial, ONU: el parto de los montes, La Jornada, 14 September 2005.

making. The second vision is labelled the “embed-and-integrate scenario”, a more desirable outcome, according to the author. The last vision of “transition and transformation” ponders on the possibility of completely transforming the principles of capitalism to put social purpose as the pre-eminent goal, a far more desirable outcome.

### ***The fad-and-fade scenario***

White depicts this scenario, under a severe economic global crisis, where “CSR, once viewed as irreversibly destined to become integral to corporate strategy, management and governance, has proven to be fragile and transient. Attention of business and government turns to basic economic survival and recovery from the crisis. CSR moves quietly into hibernation with an uncertain future, characterized by practices associated with its earliest phase, namely compliance and philanthropy.”<sup>6</sup>

This scenario would be a direct result of the domination of societies by market forces, for all the characteristics depicted are market-driven conditions prevailing today. The market reigns and profits over people, and everything that happens conducive to the crisis is based on the perceptions, expectations, speculations and the market manipulations<sup>7</sup> of the owners of global capital: the institutional investors. This implies that democracy has been relegated to oblivion. If it is currently a mockery in 2005, in 2015 it would be much less than that. If CSR fades away it is a clear sign that true democracy has further faded away. Or, perhaps, the global centres of capital would by then dare to pull off their masks and openly tell the world that they ought to be regarded and obeyed as the global masters. In any case, CSR would mirror the health of societies. If CSR is terminally ill, it is because societies are terminally ill and their structures unsustainable.

<sup>6</sup> Allen White, *Fade, Integrate or Transform? The Future of CSR*, Business for Social Responsibility, August 2005, p. 1.

<sup>7</sup> Alfredo Jalife Rahme, *Globalización: manipulación obscena del seudomercado*, La Jornada, Mexico City, 14 September 2005

In this scenario, the major failure of CSR is as an instrument of the people to control corporations, which is also the consequence of the governments’ refusal to comply with their responsibility to act as regulators of the market. It means that CSR has not passed beyond being a gimmick used by multinationals (MNCs), in good times, as a cosmetic PR tool instead of as a core business resource, in good and bad times, to ensure sustainable business practices, culture and ethics under the initiative of all the stakeholders that belong to society.

If this occurs, it is because people have failed to force governments to establish a universal and mandatory standard. It means that governments continue to be in partnership with the owners of the market to enforce their market rules. Thus we would continue to have an oligarchy, a “marketocracy”, even more entrenched, instead of a true democracy. It would be the consolidation of a world where the market is supreme, where financial markets are God. As it happens today, financial markets would continue to rank countries according to the risks they bear for investors and would continue demanding the appropriate policies to reduce their investment risk level, regardless of the consequences to the people. We would have a profoundly anti-democratic global system where a tiny elite benefits whilst the vast majority of the population is either left to be exploited or simply sent to oblivion; people would be effectively excluded from society, or rather from “the market”, as if they did not exist. The vast majority of the population would be regarded as totally dispensable, to be used as human nuts and bolts to be tossed around in line with the whims of *marketocracy*.

This scenario would represent a very dire state of humanity and the planet, where systemic problems exacerbate reaching unimaginable conditions. Dramatic inequalities would drive social upheaval, terrorism, famine and pollution to their limits. Humanity would be on the brink of blatant genocide and ecocide. Since this ethos would be completely unsustainable, the market would gradually collapse, and the world would become an apocalyptic land where the grid of a few would unrelentingly attempt to drive

humanity to its limits. This is no exaggeration. Scientists assert that currently 500 million people –8% of the world’s population– face hunger, but rising levels of greenhouse gases could add 50 million by 2050.<sup>8</sup> This is just due to increased pollution. Envision the social consequences of the failure of society to rein in the world’s financiers and their corporations to a sustainable business ethos, and we would be living in absolute chaos.

Preceding the collapse of the market system, governments would be brought even more to their minimal expression in line with the ideals of the neoliberal ethos. Thus, the Welfare State and public investment in health, education and other social services would be eliminated or brought to a minimum, privatising more and more of the public services that had traditionally been under the responsibility of governments. Governments instead would become, effectively, agents of the centres of global capital to manage fiscal and monetary policy according to the whims of the market, and to provide the necessary infrastructure for the market to operate. In this way, the social, economic and environmental conditions of the world would become unsustainable, which would in turn unavoidably collapse into chaos.

The worst thing is that this scenario is perfectly plausible, for most of the elements necessary for this to occur are prevalent today. Governments continue to downsize the scope of their responsibility in favour of the whims of the market. The owners of global capital dictate the political agenda because they continue to finance the campaigns of politicians, who continue to largely disregard citizens as their constituents. The corruption of political systems worldwide has become systemic. Notwithstanding these facts, the most pervasive element currently is the complete lack of will among both politicians and the owners of the market to pursue a sustainable market system. Instead, the political will of the global elite continues immersed in a very short-term mentality where goals are set on a quarterly basis in the financial markets. Everything is

thought out based on monetary gain and in the immediate reproduction and accumulation of capital.

Contrary to this vision, White’s essay inexplicably considers as a regretful outcome “*that government mandates and regulation emerge as the dominant remnants of a former vibrant movement, replacing business innovation as the primary driver of the best CSR practices.*”<sup>9</sup> That this would be a very sad outcome is quite arguable, for the concept of governments acting as regulators of a market-based economic system is a fundamental feature of any government that presumes to be democratic. As stated before, the most profound reason for the existence of a democratic government is to procure the welfare of each and every member of the ranks of society. Therefore, governments must always perform a balancing act in order to reconcile the private interest with the public interest. They must always act as regulators of the market, so that the natural instincts of capitalism do not operate to reproduce and accumulate capital at the expense of the welfare of most people. In true democracy, corporations cannot profit over people. They must profit in a sustainable manner where all stakeholders benefit and are not stripped from their access to the opportunities to live a dignified life.

Still, there is no reason to expect an emergence of government regulations as a result of a global crisis. White regards this scenario as the result of “*a severe economic downturn, triggered by energy shocks, over-capacity in many extractive and manufacturing sectors, prolonged and widespread security crises, and failures of several global financial institutions and investment funds. A wave of multinational company downsizing and consolidation is underway, affecting thousands of suppliers and workers worldwide.*”<sup>10</sup> The fact is that all of these events are driven by the short-term perceptions, expectations, speculations and manipulations of institutional investors. If this crisis occurs, it is precisely because governments

<sup>8</sup> Climate change raises risk of hunger – scientists. Reuters, 5 September 2005.

<sup>9</sup> Allen White, *Fade, Integrate or Transform? The Future of CSR*, Business for Social Responsibility, August 2005, p. 2.

<sup>10</sup> *ibid*, p. 1.

would not rein in the market and would forswear once again and more profoundly their democratic responsibilities to procure the common good. If there were regulations, there would not be even more waves of MNCs downsizing and consolidating into oligopolies as we have endured for the last thirty years. This scenario would imply a further oligopolisation into even fewer hands. Even Adam Smith despised oligopolies as much as he also despised –with good reason– despotic government intervention and regulation. Thus, this would not happen in an ethos of responsible governments committed to the welfare of all ranks of society. Even if the regulations would come at the very end of the crisis as an attempt to end the chaos, there is no reason to think this would occur. Governments are currently aligned with the interests of the economic elites. If a great global crisis occurs, these governments would try to assist these elites and not the people. The market would attempt to prevail despite the chaos. In this way, if CSR becomes dormant, it would be due to the pervasive and very visible hand of the market who decides to put CSR practice on the shelves.

Lastly, since White considers that government mandates would be a negative event *replacing business innovation as the primary driver of the best CSR practices*, then we must conclude that he advocates a very flexible and voluntary CSR culture. This is in line with the Global Reporting Initiative (GRI), a voluntary and flexible framework of CSR guidelines –of which White is a co-founder– popular among many corporations. Nonetheless, it must be pointed out that the roots of CSR have not come from corporations and cannot be a business driven practice. The reason why CSR has gradually emerged in the past three decades is because of a growing awareness in society that business is having a pervasive influence, often negative, on the lives of millions of people –who have no direct connection with MNCs or with smaller business entities– and the environment; let alone the influence of business on their workers, trade unions, supply chains, consumer behaviour and so on. As White correctly points out, since the 1960's, societies began to put pressure on corporations for ecological and social reasons. I remember the days of the Nestle's infant formula boycott in the

1970's, whose roots can be traced as far back as 1939.<sup>11</sup> Thus, it has been society who initiated a demand for corporations to behave in a social and environmentally-responsible manner. It has been organized civil society who has been the driving force in the development of CSR. Business has attempted to strategically take the initiative in order to defuse criticism and avoid formal regulation, and it has been very successful so far in advocating self-regulation. Yet, it is the pressure from society that continues to drive CSR development and not business. There would not be any hope for CSR without civil society getting directly involved and taking the initiative. It is precisely for this reason that there is a debate and that the issue is not at all closed, hence the usefulness of White's exercise.

### *The embed-and-integrate scenario*

This scenario is depicted as the triumph of the CSR movement, for companies have moved to embed CSR as a core part of corporate strategy and operations. As White asserts, *For large and small, public and private companies alike, CSR is the rule; the small fraction of firms that fail to grasp this find themselves increasingly at a competitive disadvantage.*<sup>12</sup>

To be sure, voluntary practice is a very desirable outcome from the perspective of corporations. It is a common corporate strategy in many spheres to take the initiative to advocate self-regulation instead of government regulation. This allows corporations to appear to be good without really doing the public good. The best case to illustrate the critical shortcomings of voluntary practice is the issue of the payment of living wages. None of the existing CSR frameworks addresses the issue of living wages, and, of course, none of the voluntary CSR reporting by companies using these frameworks or their self-designed frameworks addresses this issue. Yet, the fact of the matter is that no company that avoids this issue can be considered to act responsibly even if it does behave responsibly in many other aspects

<sup>11</sup> Noemi Bromberg Bar-Yam, The Nestle boycott: the story of the WHO/UNICEF Code for Marketing Breastmilk Substitutes, *Mothering Magazine*, Winter 1995.

<sup>12</sup> Allen White, *Fade, Integrate or Transform? The Future of CSR*, *Business for Social Responsibility*, August 2005, p. 2.



of business practice. A CSR report must be comprehensive and must address all of the issues brought up by all stakeholders. In the case of civil society, the payment of living wages is a *sine qua non* issue of duly CSR practice.<sup>13</sup> How can a company be deemed a responsible corporate citizen if it is paying exploitative wages either directly or indirectly by outsourcing production? Even if a company is very good at applying environmentally-sustainable processes, it is failing in the social and economic dimensions if it is not paying living wages. Yet, living wages is an issue that is avoided by business, government, multilateral organisations and even many members of organised civil society. It is almost like an intractable taboo issue, not to be addressed, despite the dramatic consequences that it has on the lives of people and on the expansion of aggregate demand. The fact of the matter is that much of the productivity of companies is anchored on the regular practice of taking more than their fair share of the income generated by their business activity because they are keeping a big portion of income that should be part of the labour endowments. This is despite the fact that a living wage is considered a human right. Thus, voluntary, flexible and self-regulated CSR practice is a fiasco because all of the critical issues, such as the case of living wages, are avoided.

White envisions this scenario as one where corporations understand that CSR issues — including fair wages—are *not only wise business but integral to fiduciary duty*. This is something quite agreeable. Nonetheless, if we use the case of living wages to illustrate the failure of voluntary practice, we would ask: Who defines what is a living wage? Are fair wages the same as living wages? Currently, fair wages are obliquely treated in CSR. Most norms and guidelines, if they address wages, use the criteria of the ILO Conventions, the ILO Tripartite Declaration Concerning Multinationals or the UN Norms on the Responsibilities of Transnational Corporations and other Business Enterprises with Regard to Human Rights, among others.

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<sup>13</sup> Alvaro J. de Regil, Corporate Social Responsibility Without Living Wages is Irresponsible and Unsustainable, The Jus Semper Global Alliance, A TLWNSI Issue Brief, July 2003.

The problem is that these criteria are based on the concept of a good standard parting from the use of prevailing national wage conditions. This is extremely ambiguous because it fails to define a good standard; and the use of prevailing national wage conditions is tantamount to accepting varying degrees of exploitation. This means that if wages in a country are generally exploitative and far from being considered living wages, then that is acceptable because that is the prevailing national condition. Yet, in a globalised world why should workers in the South earn a far lower real wage than their counterparts in the North when they are producing goods and services in a globalised market that are being marketed at global prices?<sup>14</sup>

White envisions this scenario as characterized by *new ideas built on a platform of generally accepted standards of good governance, labour practices, reporting and environmental stewardship*<sup>15</sup>. The problem is that many standards may be generally accepted by governments and corporations but not by civil society. One criterion used to address wages is ILO Convention 100, which establishes the obligation of Equal Remuneration of Genders. This requires that, in determining a wage policy and rates of remuneration, corporations shall ensure the application of the principle of equal remuneration for work of equal value. Yet, if the wages paid to men are exploitative then the result is that corporations are allowed to exploit women as much but not more than men due to prevailing national conditions. Why should this be considered a good standard? An equally-important question is why equality among workers of the North and of the South of the same corporations, performing equivalent tasks, is completely ignored as the criteria for fair wages in the Conventions and as a CSR norm? Why is this concept missing? In a nutshell,

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<sup>14</sup> The Jus Semper Global Alliance, The UN Sub-Commission on the Promotion and Protection of Human Rights has drafted norms that signal a possible advent of compulsory CSR but continue to legitimize a structure that generates sheer inequality between North and South, A TLWNSI Issue Commentary, September 2003.

<sup>15</sup> Allen White, Fade, Integrate or Transform? The Future of CSR, Business for Social Responsibility, August 2005, p. 2.

why are workers in the South not entitled to the principle of equal remuneration for equal work of equal value, in terms of purchasing power, so that all workers enjoy equivalent compensations in terms of purchasing power in each economy? The answer is that, contrary to White's assumption, there are many supposedly generally-accepted standards that go against the people, and that if people would become informed and get involved in the public matter, they would immediately reject them and advance their own ideas. For instance, TJSGA, in the case of wages, advocates defining living wages in PPPs terms (the purchasing power parities revised annually for every country by the World Bank and the OECD).

The issue of living wages is the best illustration of my contention that CSR practice must never be left up to the good will of corporations through self-regulation. If governments and multilateral organizations have consciously avoided addressing the issue of living wages by using principles as common sense as equal remuneration for equal work of equal value, how can we expect corporations to rightly address it when it goes directly against their bottom line and their unrelenting pursuit of shareholder value? This is why CSR development must continue to be driven by civil society and not by business, in the same way that achieving real democracy is the responsibility of the people. In this way, corporate values and their moral and ethical commitments must be defined by all ranks of society, by all stakeholders, and they must become enforceable by law. If they do not become law it would be due to the failure of society to force governments to return to their original *raison d'être*.

### ***The transition-and-transformation scenario***

In this scenario, White envisions the failure of CSR as an instrument of corporations to behave responsibly due to *intensifying ecological stresses and social inequalities*<sup>16</sup> despite the incremental progress achieved in labour, human rights and environmental practice. The implication is that a

business-driven CSR, voluntary and self-regulated, was not up to the job of building a social, economic and environmentally-sustainable ethos and was deemed a failure by most stakeholders.

In consequence, White envisions a complete rethinking of the purpose of corporations. He describes the continuation of the decline of public confidence in the business community *amidst sharpening differences among winners and losers in the globalisation process. A wave of mergers and acquisitions that benefit a limited few feed a public and civil society backlash against "churning" in the capital markets*<sup>17</sup>. The natural excesses of capitalism are exposed in blatant fashion. Optimistically, to be sure, White envisions that a number of retired business leaders join a coalition to challenge the rights and obligations of corporations. An event which I deemed highly improbable, almost a miracle, unless –with no sardonic intent– a mass of dispossessed succeed in invading the leaders' mansions, for the morals of these so-called leaders are at the very root of the problem of a very unequal global market system. It has been this leadership who has imposed the current Darwinian strain of capitalism; sheer savage capitalism that demands the free reign of its market forces and the virtual elimination of governments as procurers and preservers of the welfare of all members of society.

The unlikely metamorphosis of corporate leaders notwithstanding, White depicts in this scenario the emergence of a proliferation of initiatives at the state level that spur a wide social movement to redefine the purpose of corporations. To be sure, the initiatives at the state level would happen only if they originate first with the people organized as citizen movements. Governments could not initiate them, with few exceptions, because they have sold themselves to big capital. Only a very strong and decisive movement representing communities, labour, and perhaps some socially-progressive members of the corporate community, would be capable of wielding the power to force governments to prepare initiatives that, for the first time, redefine corporations and the purpose of market-based economies from the perspective of truly democratic societies, to become means –and not ends– to procure

<sup>16</sup> Allen White, Fade, Integrate or Transform? The Future of CSR, Business for Social Responsibility, August 2005, p.3.

<sup>17</sup> *ibid*, p. 3.

their welfare. Anything short of that would not be able to put an end to the historically cosy relationship of government and mercantilistic elites.

The very fact that White envisions a challenge to today's capitalism –which he adequately names “shareholderism”– is a truly progressive and encouraging exercise and a valuable challenge in itself, despite the fact that such a scenario would likely be deemed despicable or quixotic at best by most of today's institutional investors, the captains of their corporations as well as their partners in government, albeit not by a vast majority of the people, of the workers and of even many scholars, who would surely support such a challenge today. Yet, for such a challenge to become reality, social mobilisation would be essential. The direct involvement of all investors of the corporations –all ranks of society are investors– is a *sine qua non* factor for this kind of change. Very strong social pressure on governments and corporations, through organised mobilisations, including at the forefront consumer boycotts, would make governments reconsider the issue of redefining the purpose of corporations and business at large, and would force corporate leaders to sit down and accept that the market cannot be above democracy and the welfare of societies.

In a true democracy, the public interest always prevails over the private interest. This is a central value of democratic life. Thus, MNCs must answer to civil society for their social behaviour because it is individual members of society who create the enterprises, and these in turn exist and derive their wealth from society, which acts as markets that consume the enterprises' products and services. In this way, as a fundamental element of this mobilisation, consumers would play a powerful role in wielding the pressure of society on governments and corporations to redefine the role of business, for consumer boycotts operate under the logic of the market by directly hurting the bottom lines of corporations.<sup>18</sup> This is vital because corporations would respond much faster to market-logic pressure than to democracy-logic pressure, for which they have shown no respect. Then and only then, corporate

leaders may reconsider transforming their mindset from *short-termism* and *shareholderism* into an entirely new democratic and economic paradigm where the people are at the centre of the equation and not the market and the oligarchic elites.

Governments, given strong social pressure in the form of peaceful protests, direct involvement in the public matter through closed monitoring of their actions, and the demand for a bottom-up direct democratic process, would have no choice but to start working for the people. In this way, governments would have to pass legislation to make the social purpose of business a universal and mandatory standard designed on the principle that the market cannot be above the people and, thus, that the market must operate in such a fashion that it must render sustainable wealth, namely equitable benefits for all stakeholders and not just the financial shareholders of the corporations.

In redefining the purpose of corporations, White advances a set of six “design principles” that embody his vision of the “transition-and-transformation scenario”. He envisions these principles as a concept *that strives to foster the innovation and competitive instincts of companies while elevating social purpose as the preeminent goal of the corporation*<sup>19</sup>:

- 1) *The purpose of the corporation is to harness private interests in service to the public interest.*
- 2) *Corporations shall accrue fair returns for shareholders, but not at the expense of the legitimate interests of other stakeholders.*
- 3) *Corporations shall operate sustainably, meeting the needs of the present generation without compromising the ability of future generations to meet their needs.*
- 4) *Corporations shall distribute their wealth equitably among those who contribute to its creation.*
- 5) *Corporations shall be governed in a manner that is participatory, transparent, ethical and accountable.*

<sup>18</sup> Álvaro J. de Regil, Consumer Power in the Logic of the Market: Real and Direct Democracy in Pursuit of CSR, The Jus Semper Global Alliance, A TLWNSI Issue Essay, December 2004.

<sup>19</sup> Allen White, Fade, Integrate or Transform? The Future of CSR, Business for Social Responsibility, August 2005, p3.

- 6) *Corporate rights shall not infringe on the right of natural persons to govern themselves, nor infringe on other universal human rights.*

Today, no corporation complies nor seeks to comply with anything resembling these principles, for they are alien to the purpose of capitalism: the reproduction and accumulation of capital with no consideration on the impact on people and the environment. All six “design principles” convey a clearly different conceptualisation of the purpose of corporations and are commensurate with a vision that strives for the comprehensive revamping of corporate business in pursuit of the common good and the welfare of all stakeholders. One must infer that White means by “social purpose” the welfare of all ranks of society when he expresses that “shareholder value” has been replaced by “wealth creation” and “stakeholder governance”, since he regards all members of the community as stakeholders and all stakeholders as investors.<sup>20</sup>

Today, competition is based on some of the lowest human instincts; greed and selfishness are embedded in the prevailing shareholderism of business culture. Therefore, fostering the innovation and competitive instincts of companies, whilst social purpose becomes the preeminent goal, would require a completely new culture, not just of corporations but of democratic societies, of capitalism and the market as well. Competition and innovation would have a new meaning, for their purpose would not be wealth accumulation but the welfare of all ranks of society in the most equitable manner humanly possible. The accumulation of wealth would be permissible as long as it occurs through equitable exchanges and not at the expense of other participants. To be sure, business and trade would have entirely different meanings encompassing all business and trade activity by all business entities, for redefining the purpose of corporations requires a complete redefinition of the purpose of market-based societies and, thus, of the whole purpose of capitalism. In fact, for society to accomplish such a dramatic change in the principles defining the purpose of corporations, the philosophical pillars that

constitute the foundation of the so-called democratic and market-based societies: democracy, capitalism, liberalism, individualism, solidarity with the community...must be redefined and provided with the right precedence.

This is no easy task, for there are direct contradictions between core pillars. The contradiction between the public interest of democracy and the private interest of capitalism maintains an intrinsic and permanent conflict, which goes beyond the realm of this paper. Yet, it is important to establish that if these six principles were to be upheld as the new ethos of democratic societies, capitalism and the market, as its inextricable playing field, they must be redefined at their very core to serve society and its public interest and not the private interest. To begin with, the concept of supposedly a free market –there is no free market– could not exist, for the market’s generation of wealth would be conditioned to equitable exchanges for the benefit of all participants instead of mainly for shareholders. The existence of asymmetric terms-of-trade between nations would be obviously dismantled as well. All market activity would be executed on the basis of equality. Thus, we would have closely-regulated markets in a framework embodied in law. Therefore, inevitably, capitalism would have to lose its indigenous meaning since the purpose of business would no longer be the reproduction and accumulation of capital but to harness private interests to serve the public interest as White proposes in this scenario.

In this way, in the transition-and-transformation scenario, all business entities, small and large, privately or publicly held, and not just corporations, would elevate “social purpose” as their preeminent goal. In fact, a new social contract redefining democracy and its relationship with the realpolitik of nations, the role of government, the public and private interests, the role and participation of regular citizens in the day-to-day public matter, the role of the market and of business entities must take place. In a nutshell, a completely new democratic and economic paradigm that defines the welfare of all people in all nations as the sole

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<sup>20</sup> *ibid*, p. 3.

purpose of the new social contract must be designed with the elements necessary to procure such welfare and to eliminate the forces that reproduce inequality, injustice and unsustainability.

Such an ideal would certainly represent a quantum leap from where the world stands today, a social revolution to bequeath to future generations, definitely a very desirable proposition. It would be a complete reversal of fortune for those individuals and nations who benefit from the current ethos. Although a tremendous and forceful opposition ought to be expected, I would not call such a peaceful revolution utopian for I believe it is plausible. Yet, it would take a tremendous effort of society to take conscience of the unsustainability of the world we are living in today, of the very negative global as well as personal consequences if we do not change it, and of the benefits of constructing a new paradigm for future generations and us. It would require the end of the current Darwinian neoliberal era; an event that I deem only plausible if the change is generated from within, by the people, especially in each of the nations that represent the centres of global economic and political power.

In imagining the future of CSR, White's third scenario envisions an ethos where CSR, as we know it today, no longer exists because civil society backlashes against global capitalism. As he puts it, there would be broad public support for a new *concept of companies as "team production" entities dependent on the joint investment of employees, communities, customers, shareholders and other stakeholders*<sup>21</sup> that captures the public imagination; the principles encompassing this concept evolve into law and into the governance of corporations and the practice of business, giving shape to a new vision, which takes place both in North and South economies.<sup>22</sup> Yet, he still sees a role for other prevailing –in addition to the new corporate design principles– international norms as

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<sup>21</sup> Allen White, *Fade, Integrate or Transform? The Future of CSR*, Business for Social Responsibility, August 2005, p. 3.

<sup>22</sup> *Ibid*, p. 3.

conditions for doing business.<sup>23</sup> This would not be congruent with his prior vision of elevating social purpose as the preeminent goal of the corporation. Since he asks how plausible is this post-CSR transformational scenario, then the UN Global Compact, the GRI, the SAI 8000, the OECD Guidelines for MNCs, the upcoming ISO 26000 and anything else would become a moot issue. These are all CSR tools of the current Darwinian era. Why would they maintain a valid purpose if, as he also envisions, the new design principles would find their way into law? If they become law in an era of global markets these principles would become part of all applicable international legislation and would have to be ratified by all nations by enacting them into their own constitutions. There would be one universal set of principles and one body of law –a universal legal framework with norms– that governs how business and the market operate so that they truly act with the welfare of society as their preeminent goal.

#### □ A FURTHER INCURSION INTO THE ROLE OF BUSINESS IN A POST-NEOLIBERAL ERA

White's fad-and-fade scenario, albeit today it is perfectly plausible, for many of its features are prevalent, is the least likely to occur, for people will not accept a world without businesses responding for their behaviour to their stakeholders, even in a situation of economic crisis, as is described. As earlier argued, CSR is not a result of a business preoccupation with its deeds. It is a direct result of a growing concern of people for all the negative impact that the amoral business culture of today has on the lives of nations everywhere. The cyclical and deepening economic crises of today are a result of the perceptions, expectations, speculations and, ultimately, the market manipulations of the owners of global capital.

During the current natural disaster in the U.S. Gulf Coast, the global oil market reacted exactly in line with the perceptions and speculations of

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<sup>23</sup> *Ibid*, p. 4.

the institutional investors and their oil companies despite the plight of millions of people. In the context of negative imbalances in the supply and demand equation for oil and natural gas, the logic of the market does not change regardless of its social consequences. The world's major oil companies had already enjoyed, before hurricane Katrina hit, record-level profits.<sup>24</sup> Yet, prices shot up, immediately after the disaster, according to the logic of the market. There is no social responsibility under consideration, only the opportunity to profit further over people. The corporations' only true concern is their bottom line and how this translates into shareholder value. Just this month Delphi – a global manufacturer of mobile electronics and transportation components– announced that it will ask its U.S. workers to take a two-thirds pay cut. This is one of the most draconian wage concessions ever sought from unionized employees. By the same token, workers at General Motors tentatively agreed to absorb billions of dollars in healthcare costs. Ford and DaimlerChrysler employees are certain to face similar demands. This trend is not exclusive of the automotive industry; it is happening across the U.S. labour market. The rationale used to impose such measures is the need to stay competitive in an increasingly globalised economy, meaning to continue pleasing their institutional investors. In this way, the burden of unemployment risks and healthcare costs, once broadly shared by business and government, are being shifted directly onto the backs of working families. The proposed givebacks are daunting, especially when United Auto Workers formally accused Delphi, in a statement, of sweetening retention packages for the twenty-one most highly-compensated executives because their packages were “uncompetitive” while on the verge of filing for bankruptcy reorganisation.<sup>25</sup>

Apologists of these measures argue that Delphi employees, who earn an average of US \$27 an hour in addition to generous medical and retirement benefits, make too much to allow the

company to compete. By contrast, they say, workers at Delphi's profitable China operations earn about US \$3 an hour. Thus, Delphi's management idea is that U.S. workers should earn something closer to what the rest of the world makes.<sup>26</sup> Their reasoning is in direct contradiction to people's aspiration worldwide to earn a living wage. The MNCs' idea instead is to transform the living wages in the North into survival-hunger wages using the exploitative wages they pay in the countries in the South as the benchmark. This is at the heart of the very reason why people are demanding a radical change in culture, to place the market below the people, through real democracy. In this way, I believe that this scenario is the least likely to occur. Society will not allow global corporations to continue in this direction, for our very survival is at stake.

Relative to the second embed-and-integrate scenario, even if there is significant progress in the practice of CSR, corporations will never abhor themselves, in this scenario, from their goal to reproduce and accumulate capital. Shareholder value would continue to be the ultimate goal of business. Thus, shareholders would never accept critical issues such as the right of workers to earn a living wage. Their game is precisely to profit over people as much as possible; and keeping the part that should have gone to the labour endowments of workers in the first place is the most direct way to achieve it, as can be clearly observed in the case of Delphi. For this precise reason, people would not let corporations be the driving force in defining the social and environmental responsibilities of business; thus, this scenario is also unlikely to occur given how societies are addressing the responsibilities of business.

Of the three scenarios advanced by Allen White, I deem his third scenario the more likely to occur, with some of its features perhaps occurring within the ten-year term of 2015, for it goes in the direction of a cultural change. Nonetheless, I imagine a far more ambitious scenario – encompassing most of the third scenario's features– even more likely to occur in the longer-

<sup>24</sup> Tom Petrino. Taking Aim at Oil's Riches, Los Angeles Times, 26 October 2005.

<sup>25</sup> United Auto Workers. UAW statement on Delphi filing for bankruptcy, 8 October 2005.

<sup>26</sup> David Streitfeld. U.S. Labour Is in Retreat as Global Forces Squeeze Pay and Benefits, Los Angeles Times, 18 October 2005.

term future, for people worldwide are increasingly fed up with the current Darwinian market-based societies design, and are seeking to create an entirely new social ethos that responds to the people. From this perspective, the new ethos addresses the social and environmental responsibilities of business as a consequence of a much broader change of the pillars of society. In this way, the transition and transformation scenario may be effectively only a transitional stage into a much deeper transformation. In this transformation, a whole new ethos defining the social responsibility of business would be a direct consequence of an entirely new meaning of the purpose of society and its philosophical pillars in the 21<sup>st</sup> Century. In envisioning a scenario that radically redefines the purpose of societies, and therefore of business and the market as its inherent playing field, I would refer to this vision simply as the real-democracy scenario.

### *The Real-democracy Scenario*

The mockery and worsening state of representative democracy generates an unprecedented backlash worldwide. The energy released with this backlash is directed at creating a new paradigm that responds directly to the people. The major factor that acts as the catalyst for this backlash is the prevailing imposition of the private interests of the centres of global capital on the public interest of societies and on its hypothetical pursuit of the welfare of all members of society. The imposition of the logic of the market, in line with the interest of its major participants, in the most perverse and pervasive manner on the livelihoods of societies worldwide, engenders a social reaction that places the social, economic and environmental responsibilities of business at the forefront of the global movement to completely redefine the purpose of democracy and democratic societies. People take conscience that the only way to redefine the purpose of democracy in a comprehensive manner, for the benefit of all its stakeholders, is by transforming the purpose of business. As a consequence, there is a complete redefinition of the meaning of business and its purpose at the deepest level. It becomes evident that this is a sine qua non event in order to redefine democracy and the purpose of democratic societies.

### ■ *Social dissatisfaction and discontent*

The rationale behind this scenario is that CSR is already failing, and failing badly. There is a struggle between society on one side and business and governments on the other side. Corporations have long advocated voluntary reporting while a great majority of stakeholders has called for mandatory reporting. The end result so far is that there is a stalemate, which works to the benefit of corporations and governments. In Europe, where there is the greatest conscience regarding the social and environmental responsibilities of business, the CSR agenda has long been dominated by a debate regarding voluntary or mandatory reporting. In 2002, the European Parliament “recommended” mandatory reporting, and the European Commission is currently preparing a comparative online database of CSR reports, which would also list the non-reporters, a sort of black list. A recent survey among 495 stakeholders including the following backgrounds: employees, consultants, NGOs, the financial community, academics, students, consumers, business associations and other, conducted by Pleon in 58 countries around the world found that, albeit growing, only 25.3 percent oppose mandatory reporting whilst 72.5 percent support it. In fact, 66.6 percent think reporting should be mandatory –for all companies of a certain size (29.1 percent), all companies (24.8 percent) or all publicly-listed companies (12.7 percent). By the same token, 70 percent think that the likely consequences of mandatory reporting would be that more companies will report on CSR; an event which respondents ultimately regarded to be of a wide social benefit, or that CSR will be acknowledged as an important issue by a larger public.<sup>27</sup> Yet, there is no real debate regarding legislation about CSR to develop national legal frameworks with a single set of standards and guidelines, much less a global framework. In this way, what we have is a proliferation of frameworks and standards available for corporations to cherry pick at their convenience. They can also design their own if

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<sup>27</sup> Pleon. Accounting for Good: the Global Stakeholder Report 2005. The Second Worldwide Survey on Stakeholder Attitudes to CSR Reporting. Amsterdam and Bonn, September 2005, p. 12.

they so desire. In KPMG's 2005 fifth triennial survey of CSR reporting by large corporations, KPMG reported that coverage of social and economic issues and topics is far more superficial than coverage of the environmental dimension. Relative to the social dimension, almost two-thirds of companies in the survey discussed social issues, generally focusing on core labour standards, working conditions, community involvement and "philanthropy", which continued to be confused by many as part of CSR. To be sure, no consideration to the central issue of living wages in their operations in the South is discussed. Not surprisingly, KPMG concludes that, despite growing commitment to social issues, *"reporting performance remains sketchy, possibly due to the lack of clear social indicators."*<sup>28</sup> The end result is that companies continue to run their business as usual and report only in a way that suits them best according to their very private interests and not the public interest. CSR tends to be seen from the perspective of shareholder value. In the Pleon survey, the view of business representatives is that CSR is to create business value to shareholders (29.5 percent) and real engagement and accountability (28 percent).<sup>29</sup> Yet, 48.5 percent reported that their key motivation for using CSR is that CSR reports serve to increase corporate reputation. They are not motivated by a desire and commitment to fulfil their social responsibilities. As a consequence, from the perspective of corporations and governments, their expectation is that markets will continue to dominate the structures of today's societies. The market will continue to be at the centre of the equation ruling the lives of supposedly sovereign nations; shareholder value will continue demanding the necessary conditions on national markets for corporations to invest, ranking countries accordingly. This will exacerbate the already huge gaps between rich and poor, North and South, and the increasing precariousness of the livelihoods of all people including the employees

<sup>28</sup> KPMG Global Sustainability Services. KPMG International Survey of Corporate Responsibility Reporting 2005. KPMG International, June 2005.

<sup>29</sup> Pleon. Background paper: Global Stakeholder Report 2005, Available at: [http://www.pleon.com/Background\\_paper\\_Global\\_Stakeholder\\_Report\\_2005.1457.0.html](http://www.pleon.com/Background_paper_Global_Stakeholder_Report_2005.1457.0.html)

of the corporations, who can be tossed out of the employed ranks whenever such action pleases shareholders. Nations will continue to have less and less power to exercise their sovereignty according to their national interest because the national interest has been privatised, and now it is discussed by the political class and institutional investors according to their very private interests.

Economic growth per se does not improve environmental preservation nor does it bring down income inequality. In today's Darwinian paradigm, irrational shareholder-value-driven economic growth is dramatically intensifying production. Current production volumes are impeding the replenishment of raw materials. Consumption is far outweighing the preservation of natural resources and the environment. As the 2002 Human Development Report (HDR) of the UNDP noted, despite the fact that goods production has generally become more energy-efficient in the past few decades, the increased volume of global production means that such improvements are far from sufficient to reduce world carbon dioxide emissions.<sup>30</sup> Inequality, to be sure, continues to dramatically worsen. The HDR 2005 says that time is running out. The report explains that the pledges of the Millennium Development Goals to halve extreme poverty, reduce child deaths by two-thirds, and achieve universal primary education by 2015, under current trends, will not be kept; a surprise to few given the deplorable state of world affairs. The report spotlights the scale of the international wealth divide: the world's richest 500 people have a combined income greater than that of the poorest 416 million. There is no surprise in learning that the 2.5 billion people living on less than \$2 a day – 40 percent of the world's population – account for 5 percent of global income, whilst the richest 10 percent, almost all of whom live in high-income countries, account for 54 percent. Indeed, despite substantial economic growth worldwide in the past decades, inequality has increased exponentially. In the past 40 years, the income ratio of the poorest to the richest 20 percent was 1:30 in 1960, whilst

<sup>30</sup> Human Development Report 2002: Deepening democracy in a fragmented world, Oxford University Press, Oxford, 2002, p. 28.



today it is 1:80.<sup>31</sup> Yet, the report asserts that even modest shifts in distribution from top to bottom could have dramatic effects on poverty.<sup>32</sup>

The current meaning of development is a direct result of shareholderism, of the corruption of the political class and of the alienation of people through the promotion of a culture of irrational consumerism, vacuity and individualism, which are ultimately engendering anomie: a complete breakdown of the social fabric with rampant dissatisfaction, conflict, and deviance. This is engendering a tremendous degree of social dissatisfaction. People are getting completely fed up with their so-called democratic systems and are already mobilising to exert change. If this trend continues, as I predict, it will result in a social backlash worldwide to the current structures of government with the explicit demand to redefine the meaning and purpose of democracy and the role of business in favour of a real democratic ethos. One current event exposing this great exasperation is the violence that sparked in over 300 cities and towns in France, due to the overwhelming feeling of exclusion, of great frustration and impotence among the poor, both native and immigrant.<sup>33</sup>

#### ■ *Re-enunciating democracy*

It is evident that because the role of business and its pervasive influence on the lives of all is at the centre of the growing social, economic and political conflict in many nations, the social and environmental responsibilities of business will be at the forefront of the struggle. Yet, the social backlash will be aimed directly at the structures of power, especially at the so-called structures of representative democracy for betraying their commitment to procure the common good. The root of the problem is not with the market per se, but with the institutions that are suppose to

control it in favour of society. In this way, redefining the meaning and purpose of business in the 21<sup>st</sup> Century will be, to be sure, fundamental, albeit only part of a complete redefinition of the philosophical pillars of today's so-called democratic and market-based societies so that we can aspire to build an entirely new paradigm for humanity. It would imply readdressing, re-enunciating, as argued earlier, core values such as democracy, the sovereignty of nations, capitalism, property, liberalism, the precedence of both individualism and community; it would define the terms of an entirely new social contract.

In this scenario, representative democracy will no longer exist, as we know it today. The people will gradually, as is already happening, get involved in every aspect of the public matter; gradually taking much of the initiative by originating many of the ideas and concepts that will be funnelled to the legislatures to prepare initiatives after they have been debated directly by the people in citizen forums. There will be a concocted and productive relationship between regular citizens and their representatives in parliament that does not exist today. People will participate on a regular basis in the legislative process to make democracy genuinely direct and bottom-up. Citizens will closely monitor all branches of government. Corruption, a key factor in the dismal state of the world, is greatly diminished. Referendums will become a fundamental resource at the forefront of the democratic process without which no public decision, with a reasonable degree of impact, could be taken. All elected public servants, including presidents and prime ministers, will be subject to plebiscites periodically, during their terms in office, to allow the people to confirm or expel them from office.

At the global level, multilateral organisations will be revamped in congruence with the new real-democracy ethos or they will cease to exist and be replaced by new truly democratic entities. The UN, already gravely questioned and vilipended by many of its members, would have to become a truly democratic body or cease to exist. If it survives, it will operate as a truly democratic global forum with no veto power for

<sup>31</sup> Jean Marie Harribey, DO WE REALLY WANT DEVELOPMENT? Growth, the world's hard drug, Le Monde Diplomatique, August, 2004

<sup>32</sup> Human Development Report 2005: International cooperation at a crossroads: aid, trade and security in an unequal world, United Nations Development Programme, New York, 2005, p. 4.

<sup>33</sup> Agnès Poirier, It isn't our republican model that has failed, but France's mediocre and prejudiced political elite, The Guardian, 9 November, 2005

any nation. Other institutions, such as the Bretton Woods institutions, will be reformed or cease to exist as well. If they are reformed, the one-dollar-one-vote system will be replaced by a democratic one-country-one-vote system, with no veto power for any member State. Laws governing businesses become universal and govern the social, economic and environmental impact of their activity with a focus on the procurement of the common good through the construction and preservation of a new sustainable paradigm. In a globalised world, one single framework of business standards, governing the tridimensional impact of business is put in place. To be sure, MNCs as well as domestic companies pay living wages North and South, respect all human rights and sustain the environment. A universal living wage, based on purchasing power parities, is enacted and revised annually. There is an agreement among nations that, not only because of a moral question of social justice but also because of the need to create wealth, make economic growth sustainable and achieve real development; people need to earn a living wage so that a rational aggregate demand is generated and sustained. Yet, this does not imply at all economic growth per se indefinitely. Thus, consumerism and waste are also reined in through legislation and the development of a culture that deters excessive and irrational consumption and individualism and promotes a culture of solidarity and preservation of our natural resources. A completely new sustainable ethos begins to emerge.

▪ *A truly sustainable new paradigm*

In this ethos, development does not mean at all the capacity to possess material things and the improvement in the material standard of living per se. Wealth does not mean material wealth as such. Economic development and wealth lack a utilitarian meaning. What they mean is the development of human capacities –from the perspective of Amartya Sen<sup>34</sup>– in an egalitarian society; human development anchored on the premise of solidarity and true sustainability. Professor Harribey poses the idea of development

as the increased wellbeing and the fulfilment of potential in a non-market framework. In this context, development does not mean growth in the current sense of more merchandise, more energy use and ever-greater inequalities.<sup>35</sup> In consequence, economic growth by itself is deemed nonsensical, and a balanced approach to sustainability, which includes rational growth, when and where necessary, becomes the vehicle to achieve the wellbeing of all ranks of society. In this way, with the paradigmatic shift, marketing and advertising are completely recast to be in sync with the new ethos, which bars the culture of hedonism that creates artificial needs. A balance is achieved. A global culture emerges to give pre-eminence to the sustainability of the community and the environment in solidarity instead of promoting sheer and irrational individualism. Yet, local cultures, especially indigenous cultures, are preserved so that they build their autonomy and achieve their own sustainability. A balance between the needs of Mother Nature and the needs of all communities as well as a balance between the needs of the community and individual needs are achieved. From the perspective of business, the preeminent goal of all business entities in real democracy is to generate wealth through innovation and competitiveness to procure and sustain the welfare of societies and the environment. The entire social strata are investors in the business of private enterprise. Shareholder value, as we know it today, ceases to exist. The right to private property and wealth accumulation by individuals and business entities remains except that both events are permissible exclusively as the result of equitable and rational acts of commerce, where all stakeholders benefit, and not of unequal and asymmetric transactions. Capitalism becomes the past for it is incompatible with real democracy and sustainability. Productivity and efficiency also become moot points in the sense of increasing monetary gain. Yet they do have a role in the sense of increasing the efficiency in the use of natural resources to consume less and preserve more. To be sure, there is no longer the possibility for the excessive accumulation of

<sup>34</sup> Human Development Report 2004: Cultural Liberty in Today's Diverse World, United Nations Development Programme, New York, 2004, p. 13.

<sup>35</sup> Jean Marie Harribey, Do we really want development? Growth, the world's hard drug, Le Monde Diplomatique, August, 2004

wealth individually or for a corporation. Oligopolies and mega-corporations are dismembered into smaller entities to put them in line with the new paradigm. There is no enrichment at the expense of the welfare of others. For the first time, an equitable distribution of wealth is gradually accomplished, where wealth means the development of wellbeing and not of material wealth per se. In a new meaning for development, wealth is not weighed on the basis of the quantity of goods and services owned but on the actual use of human potentialities to achieve wellbeing individually and as part of the community. If the community has achieved an optimal level of wellbeing, then its members are also enjoying the same optimal level of wellbeing. That is, it is in the individual's self interest to pursue the welfare of the community, for in as much extent as this welfare is accomplished, the individual's self interest will be fulfilled. The privatisation of life science resources vital for life, such as water, air and plants, is completely stopped.

Human and environmental wellbeing is then the only meaning for development. From this perspective, developing countries develop, for a period of time, to meet the basic needs that will generate an optimal level of wellbeing, whilst in rich countries growth and development per se will be gradually abandoned in favour of the pursuit of optimal levels of wellbeing for the community without compromising the environment. Thus, no indefinite economic growth is pursued, but the necessary growth to accomplish a sustainable balance, namely a balanced distribution of the benefits of all human activity, with the preeminent goal of achieving the wellbeing of all members of society and the environment. Eventually, in the long-term, growth must be replaced by human-development progress without more economic growth in both North and South. At such point in time, an optimal and balanced level in the distribution of the product of human activity is achieved and sustained, for indefinite growth is completely unsustainable and sooner or later the world will have to replace it with a no-growth paradigm.<sup>36</sup>

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<sup>36</sup> Serge Latouche, Degrowth economics. Why less should be so much more?, Le Monde Diplomatique, November, 2004

Undoubtedly, cultural values are redefined to put the rational welfare of all ranks of society as the pre-eminent goal of a global community of sustainable societies.

▪ *The timeframe for the real-democracy paradigm*

If all of this were to sound extremely hard to achieve or right out utopian, it would be only if we are thinking of 2015. To be sure, a real-democratic ethos would not occur at all by 2015. This process is an event that will take at least a generation, thirty years if not more. Yet, I believe this process to be already in progress. The real-democracy scenario will occur as more and more people gradually gain awareness, take conscience of their role in the process of this dramatic change and get involved to build a new democratic and sustainable paradigm. Redefining the principles of society is plausible because the mobilisation of organised societies has the power to make this dramatic change come about. Mobilisation means getting involved in the public matter to force change. For this to occur, people need to become aware of the consequences on their societies, on their own lives and on their children if they do nothing.

Such generation of awareness, such acquisition of conscience among society and its consequent mobilisation is already taking place and rapidly growing. Today, there is growing awareness that things are getting worse for most people, including the citizens of the most powerful nations. People are experiencing greater hardships in their own daily lives with increasingly tremendous difficulty to enjoy access to the diminishing opportunities to develop and employ their human capacities to live a dignified life. Billions, especially in Africa, have no real opportunities at all as a direct consequence of a global system of exploitation. Everywhere, people see growing decay in both the social sphere and in the natural environment. People witness a gradual corruption and collapse of their political institutions, a betrayal of the most basic responsibilities of government with people left to fend for themselves in a Darwinian ethos. The resulting erosion of the social fabric makes social cohesion

all the more difficult. Signs of anomie are becoming gradually evident and with increasing pervasiveness. Yet, this is generating a permanent involvement of people in the public matter. By attempting to fill, in some way, the void left by their governments, they are gradually realising the unsustainability of the system. To be sure, CSR is one of the consequences of this involvement, but it is increasingly evident that its current vein is not up to the expectations of society.

The growing summits of the people in pursuit of another world, for an alternative paradigm of justice and peace, in the World Social Forum that began five years ago in Porto Alegre, is a clear sign of the times to come. People from all walks of life, from developed and so-called developing nations, are getting together and working to find a way to create a new world with a new paradigm. This is only the tip of the iceberg, for people are working to become organised in their local communities to force change at every level of government and transform the pillars of society. In the history of mankind, the fundamental events that have changed the course of history have not been the result of spontaneous outcomes in short periods of times. They have been the result of long processes that have come about when the root of the problem is identified and the status quo is unsustainable. The current ethos is rapidly becoming identified as the cause of so many conflicts and of the increasing instability, inequality and uncertainty in the world. People are also realising that the only ones capable of changing this ethos is us. In the same way that the state of CSR is a reflection of the health of society, governments are a reflection of our social processes. People are realising that the quality of their public institutions is the direct responsibility of the people. If governments are sick it is because societies are sick too.

This growing awareness has taken its own process of at least half a century. At the start of the post war, there was renewed optimism in the world that, after so many wars and conflicts across the planet, we were entering a new era. People were optimistic about democracy; colonialism was ending as many new nations were emerging. The UN was the beacon of new better times with a real chance for true progress, social justice and

democracy, despite the cold war conflict. In the capitalist world, Keynesian demand-side economics was put in place with the express goal to have governments act as regulators of the market on behalf of the people for the welfare of all people. Southern countries, especially in Iberian America, had a window of opportunity to pursue economic development to end a centuries' old pattern of rampant injustice, exploitation and colonialism. Nevertheless, the structures of so-called democratic governments, in the vast majority of cases, North and South, gradually abhorred from their primeval responsibility, and worked to impose an ethos reminiscent of the days of the Industrial Revolution and the robber barons of the Gilded Age. The end result has been a worldwide growing disillusionment and the increasing conviction that the responsibility to build and maintain egalitarian and truly democratic societies resides permanently with the people and not with the political class. There was hope but there is none now in today's institutions. In this way, people are gradually realising that we are the only ones capable of changing the pillars of society and that we have the power to build a new paradigm. In the broadest sense, we are redefining democracy, development and progress. To be sure, it will take at least a generation to learn if we will succeed in building a new egalitarian and sustainable paradigm or if we let the perverse forces of humanity bring everything down to our complete demise.

## □ IN RECAPITULATING

The future of CSR is irreversibly linked to the future meaning of democracy. People are taking conscience that we are not really living in democratic societies, contrary to what we are told to believe. The practitioners and apologists of Darwinian capitalism have taken control and corrupted the structures that were supposed to govern the life of democratic societies and provide a levelled playing field. In this way, people are concluding that this is the result of the premeditated and perverse will of those in power to impose their very private interest at the expense of the welfare of the majority of the population. There is now increasing awareness

that democracy has been privatised, for the logic of the market is being imposed on the life of societies, and that its only moral, which is to reproduce and accumulate wealth to increase shareholder value, is being used to rule the nations of the world. It is becoming clear that business culture in general, and the mindset of global corporations in particular, are at the core of the paradigm imposed upon societies. It is also becoming apparent that governments –as partners of the market– are working obsessively to create the ideal conditions for business, with special care to the demands of global corporations, to profit over people with the sole objective of increasing the value of the shares of their institutional investors.

As a consequence, it is being concluded that a paradigm of real-democracy practice must be created. Yet, this will not spring by spontaneous generation, but only if people work hard to build the pillars and institutions that are necessary to engender a fair system that truly pursues and seeks to maintain the welfare of all its members. People are learning that a real-democracy ethos – of bottom-up, participatory and direct democracy– can only emerge if people get involved permanently on the public matter, in every aspect of public life, to gradually build the desired paradigm and protect it.

In this way, a new vision of an ethos of real democracy, where everyone is a true stakeholder, is emerging and people are gradually taking conscience of its underpinnings. For this reason, it is also being concluded that the road in pursuit of a real-democracy paradigm is irremediably linked to the need to reform the entire business culture, in a globalised world, and make it subservient to the aspirations of democratic societies and their design for the new paradigm, so that the purpose of business becomes a means to produce the general welfare of society and not the vehicle to reproduce wealth for a global oligarchic elite. This is increasingly regarded as a *sine qua non* event in pursuit of a real-democracy ethos.

As a result, CSR will gradually fade as the real-democracy paradigm emerges. Given the very significant dissatisfaction with the current purpose of business, the future of CSR as a tool of

corporations, to increase shareholder value, will not last long. As people mobilise to build real direct and bottom-up democracy, the purpose of business will be reformulated with an entire new set of rules, through a democratic process, for the operation of all business entities, with the wellbeing of society as their sole *raison d'être*. There will no longer be voluntary or mandatory frameworks defining social responsibility. There will be one universal legal framework governing the role of business as part of the new paradigm.

The increasing awareness and involvement of people in the public matter notwithstanding, these changes will take at least a generation. Nonetheless, in the same way that people are realising that the problem is the paradigm that we are enduring, we are taking conscience that things will get much worse unless we act now and take the initiative. For this sole reason, anything short of building a new sustainable paradigm will not satisfy the aspirations of the people. The most basic analysis drives people to conclude that democracy, as we know it, only works for those in power and that we must build something new to ensure that it works for us. Thus, a new ethos such as White's last scenario may partially happen by 2015 but only as part of a transition of a much broader and deeper process to build real democracy. In my opinion, most of White's last scenario will occur, if we succeed, as part of a new paradigm of a global community of truly democratic nations in the span of at least thirty years; for this entails redefining the pillars of society, from democracy, liberalism and the purpose of business to individualism, solidarity and the precedence of the community to create an entirely new culture for the 21<sup>st</sup> Century and beyond. Yet, if we don't succeed, we will then face an era of insurmountable conflict that will put in doubt the very existence of all, for we would be overwhelmed by the most perverse instincts of humanity. Our very survival is at stake.

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