

2013 YEAR IN REVIEW

The trend in global leadership we noted in our last year's review of global capitalism in 2012 – a fading of strong leadership – continued during this past year of 2013. As if on its own slow timetable, prosperity began to revive, especially in the United States. The contagion of bad debts in the Euro Zone was contained and removed as the Euro currency survived and new banking regulatory regimes were put in place. New leaders assumed responsibilities in China and Japan. By the end of the year, a thoughtful *Apostolic Exhortation* by Pope Francis and remarks by President Barack Obama drew attention to the less reassuring side of capitalism, which is that not all boats are capable of rising with the tide of wealth creation.

Under such circumstances, the Caux Round Table (“CRT”) focused again on the intellectual and ethical convictions that must precede development of that confidence which sustains leadership.

We provided important thought-leadership with our monthly newsletter *Pegasus*. Our achievement of significance was to engage with our colleagues in Thailand to draw on the moral sensibility of Theravada Buddhism as a partner in helping shape an ethical vision for the future of global capitalism.

THE BANGKOK AGENDA

The 2013 Global Dialogue, held in Bangkok, Thailand, drew upon the insights and experience of its participants to outline what the future might be. Key points in the dialogue's concluding statement, *The Bangkok Agenda*, were:

Our global future is being threatened by large and unsustainable imbalances in the outcomes of global financial intermediation and market dynamics. Despite significant recent progress in promoting corporate responsibility and better governance, unacceptably high levels of debt, unemployment, inequality and environmental degradation still prevail in the global marketplace.

Poor governance, with its tolerance of crony capitalism and even profiteering from corruption, short-term strategic thinking and a serious vacuum in real leadership across all sectors continue to work against achieving a sustainable and prosperous world for us all. These shortcomings must be offset and the imbalances they cause corrected if our longer-term prosperity and well-being are to be secured.

First and foremost, government, business and civil society must fully embrace the reality that their prospects are fundamentally interrelated and mutually dependent. Business, for example, can't be a power unto itself - autonomous from considerations of ecological and community well-being. And ethical and moral values cannot simply be subordinated to short-term interests and profits.

The best solution to these shortcomings is not to jettison the modern free market economy itself, but to re-institutionalize the values that made this system successful in the first place. Wise stewardship, good governance and concern for stakeholders are the necessary core values of any sustainable market economy.

We, therefore, call for a better, values-driven balancing of the global financial system and market economy. This means ensuring that all market and business activities are underpinned and guided by a rich set of ethical principles. For the business world, the CRT's Principles for Business¹ provides a comprehensive set of such standards.

SCHOLAR'S RETREAT

Prior to the Global Dialogue, the CRT invited many of its fellows and other significant thought leaders in the corporate social responsibility ("CSR") movement to join a scholar's retreat in Bangkok to consider a new formula for analysis and measurement of capitalism. The proposal was to invent a new format for balance sheets for systems showing their assets and their liabilities. Assets would be forms of "capital," including intangibles such as human capital, cultural capital, social capital, trust and loyalty, imagination and creativity and capacity for sustainability, from which prosperity comes. Liabilities would be habits and conditions and negative externalities that choke and retard wealth creation, factors such as inequality of opportunity, rent extraction by governments and elites and climate change.

As part of the needed rebalancing, the full spectrum of long-term risks and impacts that flow from current activities and actions must be recognized and managed. The true, present value and real prospects of a company incorporate not just tangible assets and liabilities, but also intangible ones like customer loyalty, employee productivity, supplier quality, credit worthiness, community approval and environmental externalities. A total value view of a company's long-term, true 'sustainability' balance sheet consequentially needs to be embraced and managed – not just a narrow financial view.

If it is true that "what gets measured gets managed," then a new format for measuring the advantages and disadvantages of capitalism is needed – at the level of the global system of economic interdependencies, at the level of nation-states and at the level of individual firms.

SIGNIFICANT ACCOMPLISHMENTS

1. Published twelve monthly issues of *Pegasus* to provide thought leadership for a more 'moral capitalism' and more ethical governments.
2. Engaged the U.S. Chamber of Commerce in consideration of how to gain the "high moral ground" for business.
3. Participated in the annual meeting of the Convention of Independent Financial Advisors.
4. Drafted a benefit corporation statute for Minnesota and supported a revision committee of the Minnesota Bar Association.
5. Assisted the CRT affiliate in Thailand, CREATE, in drafting a sustainability report for Siam Commercial Bank.

¹ The Universal Principles for Responsible Business originated as a Caux Round Table initiative and were developed to be consistent with and adaptable to all cultural and religious traditions.

6. Presented a break-out session at the Rotary International Convention in Lisbon.
7. With St. Cloud State University in Minnesota, developed an initiative for founding an Academy of Public Service using the CRT Principles for Government.
8. Arranged for a new talk radio program called “Not by Bread Alone” on business ethics to begin in 2014.

THOUGHT LEADERSHIP

Decision Styles Inventory

-Revised the questions in the Decision Styles Inventory in response to a reliability study.

New Book

-Arranged for publication of a second book on Moral Capitalism.

OUTREACH EFFORTS

Global Dialogue

-The Global Dialogue was held in conjunction with a scholar’s retreat and a large public conference on sustainability.

Business and Public Policy Round Tables

-Six Business and Public Policy Round Tables took place throughout the year at the University Club of St. Paul. They included:

1. “Moral Responsibility and the Right to Bear Arms - An Open Discussion on the Sandy Hook Elementary School Killings”
2. “Raising Citizens, Building Leaders: The Unique Approach of the U.S. Army War College to Leadership Development” with Dr. Craig Bullis, Professor at the U.S. Army War College
3. “The Pay Problem” with Don Delves, Founder and President of The Delves Group
4. “Has Global Economic Development Succeeded in Lifting Poor People Out of Poverty?” with Brian Atwood, former Chairman of OECD’s Development Assistance Committee
5. “Why Has Venture Capital Left Minnesota and How Do We Get it Back?” with Kathy Tunheim, Senior Adviser to Minnesota Governor Mark Dayton
6. “Stakeholder Engagement” with Bill Shireman, President and CEO of Future 500

European Business Ethics Network

-Presented keynote remarks at the meeting of the Spanish chapter of the European Business Ethics Network on the role of CSR in helping Spain recover from its serious debt crisis and recession.

Compilation of Ethical considerations supporting CSR

-Initiated a project with John Dalla Costa and Rabbi Naftali Brawer on formatting, in the form of the Talmud pages, core ethical propositions supporting responsible business practices and surrounding them with supporting tests from many ethical traditions.

Internet Presence and Social Media

-The CRT's website was visited by close to 40,000 people during the year. Caux Round Table videos were placed on YouTube and new posts on relevant subjects were frequently added to our Facebook and Twitter pages. Mr. K.L. Lam of Cornerstone Ltd. in Malaysia provided the highest quality administrative and technical support for the site.

Publication

-Twelve monthly issues of *Pegasus* were published with a global circulation of 2,500 opinion leaders.

CRT GOVERNANCE RESTRUCTURE

The CRT Global Governing Board decided to restructure governance of the organization to have the board of directors become a small board operating under the law of the State of Delaware on legal and financial compliance and sustainability and to form in the European manner a Supervisory Council for policy oversight and community leadership development. Robert MacGregor and Tunku Abdul Aziz were elected Co-Chairmen, while Judge Paul Magnuson, Professor Doran Hunter and Stephen B. Young were elected to the board as well.

ORGANIZATION

Board of Directors

Tunku Abdul Aziz, Co-Chairman – Malaysia
Robert MacGregor, Co-Chairman – United States
Lord Daniel Brennan, Chairman Emeritus – United Kingdom
Dr. Noel Purcell, Chairman Emeritus - Australia
Prof. Doran Hunter – United States
Hon. Paul Magnuson – United States
Karel Noordzy – The Netherlands
Frank Straub – Germany
Stephen B. Young – United States

Supervisory Council

J. Brian Atwood – United States
Theodore Edgar Cardinal McCarrick – United States
Hon. Anand Panyarachun – Thailand
Heribert Schmitz – Germany
John C. Whitehead – United States
Dr. Herman H.F. Wijffels – The Netherlands

Fellows

Senior Fellows:

Ronald O. Baukol – United States
Kevin Cashman – United States
Brother Louis DeTomasio – United States
Morihsa Kaneko – Japan
Steve Lydenberg – United States
Robert W. MacGregor – United States
Fred Senn – United States

Fellows:

Prof. Abdullah Al-Ahsan - Malaysia
Lord Michael Bates – United Kingdom
Yury E. Blagov – Russia
Bogdan Diaconu – Romania
Jose Luis Fernandez Fernandez – Spain
Prof. Robert Fleming – Singapore
Prof. David Grayson – United Kingdom
Michael Harris – United States
Prof. Harry Hummels – The Netherlands
Prof. Doran Hunter – United States
Stephen Jordan – United States
John C. Knapp, Ph.D. – United States
Michael Labrosse – United States
Alexandra Lajoux – United States
Jeanette Leehr – United States
Baocheng Liu – China
Bernard Margueritte – Poland
Dr. Lester A. Myers – United States
Chris Pierce – United Kingdom
Prof. Steven Pyser – United States
Robert Scarlett – United States
Prof. Recep Senturk – Turkey
Prof. Kazuhiko Togo – Japan

Se Young Yang – South Korea
Prof. Ibrahim Mohamed Zain – Malaysia

Staff

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Jed Ipsen, Associate Director – United States
Jessica Fiala, Administrative Assistant – United States
Bethany Gladhill, Bookkeeper – United States
Erik Sande, Research Associate – United States