

# *Pegasus*



A newsletter for the Caux Round Table Network  
looking at business above the clutter and confetti

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Moral Capitalism At Work

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# *Pegasus*

*Stephen B. Young* 4 Introduction  
*Global Executive Director*  
*Caux Round Table*

5 Joy and Capitalism: An Interpretation of Pope  
Francis' recent *Apostolic Exhortation*

15 The Bangkok Agenda: Reshaping Capitalism to  
Ensure Sustainability

# INTRODUCTION

As 2013 comes to an end, the attention of many thoughtful people has turned to the issue of income and wealth inequality. President Obama recently elevated this concern as part of his political agenda for reform and improvement. Both the Tea Party and Occupy Wall Street advocates in the United States continue to hold resentments against cronyism in Washington, D.C. between financial firms and government. The passing of Nelson Mandela was a reminder that many societies need to outgrow a past that denies dignity and opportunity. President Xi Jinping's reforms in China seek to promote growth while reducing exploitation of new economic opportunities by a few in positions of power and influence.

Such concerns seem matter-of-fact after more than five years after the beginning of the Great Recession and desultory global recovery. But they keep in mind questions about the goals and efficacy of capitalism and free markets. Who is being served best?

Must it be true, as a matter of human institutions, that the rich get richer and, generally speaking, the poor do not enjoy proportionate advances? The Roman judge Lucius Cassius used to ask *Qui bono* - "who benefits?" - in thinking through his decisions. While interest alone is a paltry justification for our finest efforts, it nonetheless vitalizes and sustains our daily endeavors.

The new Holy Father in Rome, Pope Francis, helps us intellectually and morally wrestle with this great question with his recent *Apostolic Exhortation* on best practices for his Catholic

Church. My comments on his ethical admonitions are presented below.

Thinking about wealth and distribution of income lies at the heart of constructing a moral capitalism. In religious terms, can we be simultaneously in and of the world and yet still so detached from its strictures that we can imagine a better form of community and commit ourselves to follow that star of inspiration?

*Stephen B. Young*  
*Global Executive Director*  
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# JOY AND CAPITALISM: AN INTERPRETATION OF POPE FRANCIS' RECENT *APOSTOLIC EXHORTATION*

BY **STEPHEN B. YOUNG**

GLOBAL EXECUTIVE DIRECTOR  
THE CAUX ROUND TABLE

In his recent *Apostolic Exhortation*, Pope Francis included very strong words of concern with respect to certain features of our contemporary global economic system. His *Exhortation* is directed to Catholics and sets forth the new Holy Father's vision of his church as a vital and living agent for the telling of God's word and as a facilitator for the experience of "joy."

What Pope Francis understands as "joy" is far more profound for a life to be well lived than the excitement and pleasure we commonly take in having fun or being playful. His "joy" is more than having a jolly and joyful good time. Rather, I take the Pope to be commenting on a deep form of human happiness that can only come about through access to transcendental or spiritual dimensions of our discernment of life. Pope Francis is reminding us, should we care to pay heed, that, in the words of Christian scripture, "man does not live by bread alone, but by every word of God."

The Pope's *Exhortation* seeks not to offend, but to enlighten:

If anyone feels offended by my words, I would respond that I speak them with affection and with the best of intentions,



*Anton von Werner, Luther at the Diet of Worms, 1877*

quite apart from any personal interest or political ideology. My words are not those of a foe or an opponent. I am interested only in helping those who are in thrall to an individualistic, indifferent and self-centered mentality to be freed from those unworthy chains and to attain a way of living and thinking which is more humane, noble and fruitful, and which will bring dignity to their presence on this earth. (208)

The religious insight – and this is not limited to Christian theology and teachings – opens us to a truth that whatever is sensual, material and worldly in substance, sunk in facticity, does not, and cannot, give us great happiness. We need another dimension of satisfaction to experience that which is most fulfilling, reassuring, calming and energizing without dislocation or dysfunction.

This is the dimension of meaning and purpose, of values and virtue, of humility in the face of a silent cosmos. This is the realm of “joy” that the Pope wishes we had more of in our daily lives.



*Albert Bierstadt, Storm in the Rocky Mountains (Mount Rosa), 1886*

He puts forth a perspective on our materialism – our economic pursuits – that they can be heavy chains on our spirits, keeping us far from the discernment that leads to “joy.”

What the Pope says about how we live in the world, about the many consequences of our modern consumerism, is true. But in the spirit of hope and with the moral sense, which sustains charity, we need not conclude that our economic system is irredeemable.

The task before us would be to lighten our chains and bring into our lives more discernment of that which is spiritual and so redemptive of our more base instincts and our more inwardly focused concerns for power and prestige.

Here is how Pope Francis introduces the drag of contemporary capitalism on our capacity to be really “joyful:”

The great danger in today’s world, pervaded as it is by consumerism, is the desolation and anguish born of a complacent yet covetous heart, the feverish

pursuit of frivolous pleasures, and a blunted conscience. Whenever our interior life becomes caught up in its own interests and concerns, there is no longer room for others, no place for the poor. God’s voice is no longer heard, the quiet joy of his love is no longer felt, and the desire to do good fades. This is a very real danger for believers too. Many fall prey to it, and end up resentful, angry and listless. That is no way to live a dignified and fulfilled life; it is not God’s will for us, nor is it the life in the Spirit which has its source in the heart of the risen Christ.

He notes later that, “Sometimes we are tempted to find excuses and complain, acting as if we could only be happy if a thousand conditions were met. To some extent this is because our ‘technological society has succeeded in multiplying occasions of pleasure, yet has found it very difficult to engender joy.”



*Left to Right: Gioacchino Assereto, Tantalus, 1630s-1640s; Charlie Chaplin, Film still from Modern Times, 1936*

The new Pope adds: “The joy of living frequently fades, lack of respect for others and violence are on the rise, and inequality is increasingly evident. It is a struggle to live and, often, to live with precious little dignity. This epochal change has been set in motion by the enormous qualitative, quantitative, rapid and cumulative advances occurring in the sciences and in technology, and

by their instant application in different areas of nature and of life. We are in an age of knowledge and information, which has led to new and often anonymous kinds of power.”

Almost without being aware of it, we end up being incapable of feeling compassion at the outcry of the poor, weeping for other people’s pain, and feeling a need to help them, as though all this were someone else’s responsibility and not our own. The culture of prosperity deadens us; we are thrilled if the market offers us something new to purchase. In the meantime all those lives stunted for lack of opportunity seem a mere spectacle; they fail to move us. (54)

One cause of this situation is found in our relationship with money, since we calmly accept its dominion over ourselves and our societies. The current financial crisis can make us overlook the fact that it originated in a profound human crisis: the denial of the primacy of the human person! We have created new idols. The worship of the ancient golden calf (cf. *Ex* 32:1-35) has returned in a new and ruthless guise in the idolatry of money and the dictatorship of an impersonal economy lacking a truly human purpose. The worldwide crisis affecting finance and the economy lays bare their imbalances and, above all, their lack of real concern for human beings; man is reduced to one of his needs alone: consumption. (55)

Pope Francis links an inability to experience “joy” to a culture weighted down with the immediacy of transactions:

In the prevailing culture, priority is given to the outward, the immediate, the visible, the quick, the superficial and the provisional. What is real gives way to appearances. In many countries globalization has meant a hastened deterioration of their own cultural roots and the invasion of ways of thinking and acting proper to other cultures which are economically advanced but ethically debilitated. (62)

Sometimes we prove hard of heart and mind; we are forgetful, distracted and carried away by the limitless possibilities for consumption and distraction offered by contemporary society. This leads to a kind of alienation at every level, for “a society becomes alienated when its forms of social organization, production and consumption make it more difficult to offer the gift of self and to establish solidarity between people. (196)

Yet, facing this darkness of a shallow secularism, the Pope writes his Exhortation to inspire those who will listen to find release from anguish in the “good news” of his Christian revelation:

I invite all Christians, everywhere, at this very moment, to a renewed personal encounter with Jesus Christ, or at least an openness to letting him encounter them... May nothing inspire more than his life, which impels us onwards!

Thanks solely to this encounter – or renewed encounter – with God’s love, which blossoms into an enriching friendship, we are liberated from our narrowness and self-absorption. We become fully human when we become



more than human, when we let God bring us beyond ourselves in order to attain the fullest truth of our being. Here we find the source and inspiration of all our efforts at evangelization. For if we have received the love which restores meaning to our lives, how can we fail to share that love with others? (8)

The Gospel offers us the chance to live life on a higher plane, but with no less intensity: 'Life grows by being given away, and it weakens in isolation and comfort. Indeed, those who enjoy life most are those who leave security on the shore and become excited by the mission of communicating life to others.'

Goodness always tends to spread. Every authentic experience of truth and goodness seeks by its very nature to grow within us, and any person who has experienced a profound liberation becomes more sensitive to the needs of others. As it expands, goodness takes root and develops. If we wish to lead a dignified and fulfilling life, we have to reach out to others and seek their good. (9)

Pope Francis continues his analysis of how and why modern capitalism (which he believes does not always give forth the "fruit of the kingdom") puts up roadblocks to our ability to experience "joy" and so live on a higher plane. He wants us to distinguish clearly what might be a fruit of the kingdom from what runs counter to God's plan.

He believes that aggressively self-aggrandizing economic practices lead to too many inequalities, saying:

While the earnings of a minority are growing exponentially, so too is the gap separating the majority from the prosperity enjoyed by those happy few. This imbalance is the result of ideologies which defend the absolute autonomy of the marketplace and financial speculation. Consequently, they reject the right of states, charged with vigilance for the common good, to exercise any form of control. A new tyranny is thus born, invisible and often virtual, which unilaterally and relentlessly imposes its own laws and rules. Debt and the accumulation of interest also make it difficult for countries to realize the potential of their own economies and keep citizens from enjoying their real purchasing power. To all this we can add widespread corruption and self-serving tax evasion, which have taken on worldwide dimensions. The thirst for power and possessions knows no limits. In this system, which tends to devour everything which stands in the way of increased profits, whatever is fragile,



*Jean-François Millet, The Gleaners, 1857*



like the environment, is defenseless before the interests of a deified market, which become the only rule. (56)

Just as the commandment “Thou shalt not kill” sets a clear limit in order to safeguard the value of human life, today we also have to say “thou shalt not” to an economy of exclusion and inequality. Such an economy kills. How can it be that it is not a news item when an elderly homeless person dies of exposure, but it is news when the stock market loses two points? This is a case of exclusion. Can we continue to stand by when food is thrown away while people are starving? This is a case of inequality. Today everything comes under the laws of competition and the survival of the fittest, where the powerful feed upon the powerless. As a consequence, masses of people find themselves excluded and marginalized: without work, without possibilities, without any means of escape.

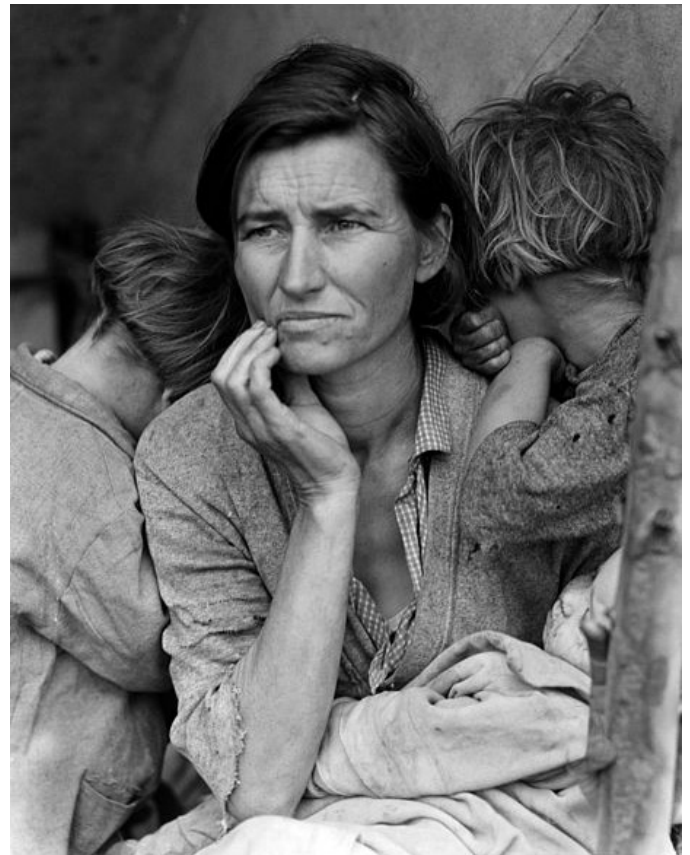
Human beings are themselves considered consumer goods to be used and then discarded. We have created a “throw away” culture which is now spreading. It is no longer simply about exploitation and oppression, but something new. Exclusion ultimately has to do with what it means to be a part of the society in which we live; those excluded are no longer society’s underside or its fringes or its disenfranchised – they are no longer even a part of it. The excluded are not the “exploited” but the outcast, the “leftovers.”

The Pope loves everyone, rich and poor alike, but he is obliged in the name of

Christ to remind all that the rich must help, respect and promote the poor. I exhort you to generous solidarity and to the return of economics and finance to an ethical approach which favours human beings.

The Pope believes that economic processes alone will not be able to find within themselves the means to empower those without capital – financial, political, social or cultural:

In this context, some people continue to defend trickle-down theories which assume that economic growth, encouraged by a free market, will inevitably succeed in bringing about greater justice and inclusiveness in the world. This opinion, which has never been confirmed by the facts, expresses a crude and naïve trust in the goodness of those wielding economic



*Dorothea Lange, Migrant Mother, 1936*

power and in the sacralized workings of the prevailing economic system. Meanwhile, the excluded are still waiting. To sustain a lifestyle which excludes others, or to sustain enthusiasm for that selfish ideal, a globalization of indifference has developed. (54)

Yet, the Pope offers a path forward: bringing our moral sense more into the driver's seat from where we steer our ambitions:

The process of secularization tends to reduce the faith and the Church to the sphere of the private and personal. Furthermore, by completely rejecting the transcendent, it has produced a growing deterioration of ethics, a weakening of the sense of personal and collective sin, and a steady increase in relativism. These have led to a general sense of disorientation, especially in the periods of adolescence and young adulthood which are so vulnerable to change. As the bishops of the United States of America have rightly pointed out, while the Church insists on the existence of objective moral norms which are valid for everyone, "there are those in our culture who portray this teaching as unjust, that is, as opposed to basic human rights. Such claims usually follow from a form of moral relativism that is joined, not without inconsistency, to a belief in the absolute rights of individuals. In this view, the Church is perceived as promoting a particular prejudice and as interfering with individual freedom." (59)

We are living in an information-driven society which bombards us indiscriminately with data – all treated as being of equal importance – and

which leads to remarkable superficiality in the area of moral discernment. In response, we need to provide an education which teaches critical thinking and encourages the development of mature moral values. (64)

Pope Francis, therefore, sees lurking behind the contemporary attitudes of satisfaction with only the secular:

A rejection of ethics and a rejection of God. Ethics has come to be viewed with a certain scornful derision. It is seen as counterproductive, too human, because it makes money and power relative. It is felt to be a threat, since it condemns the manipulation and debasement of the person. In effect, ethics leads to a God who calls for a committed response which is outside the categories of the marketplace. When these latter are absolutized, God can only be seen as uncontrollable, unmanageable, even dangerous, since he calls human beings to their full realization and to freedom from all forms of enslavement. Ethics – a non-ideological ethics – would make it possible to bring about balance and a more humane social order. With this in mind, I encourage financial experts and political leaders to ponder the words of one of the sages of antiquity: "Not to share one's wealth with the poor is to steal from them and to take away their livelihood. It is not our own goods which we hold, but theirs." (57)

The dignity of each human person and the pursuit of the common good are concerns which ought to shape all economic policies. At times, however, they seem to be a mere

addendum imported from without in order to fill out a political discourse lacking in perspectives or plans for true and integral development. How many words prove irksome to this system! It is irksome when the question of ethics is raised, when global solidarity is invoked, when the distribution of goods is mentioned, when reference is made to protecting labour and defending the dignity of the powerless, when allusion is made to a God who demands a commitment to justice. At other times these issues are exploited by a rhetoric which cheapens them. Casual indifference in the face of such questions empties our lives and our words of all meaning. Business is a vocation, and a noble vocation, provided that those engaged in it see themselves challenged by a greater meaning in life; this will enable them truly to serve the common good by striving to increase the goods of this world and to make them more accessible to all. (203)

A financial reform open to such ethical considerations would require a vigorous change of approach on the part of political leaders. I urge them to face this challenge with determination and an eye to the future, while not ignoring, of course, the specifics of each case. Money must serve, not rule! (58)

I ask God to give us more politicians capable of sincere and effective dialogue aimed at healing the deepest roots – and not simply the appearances – of the evils in our world! Politics, though often denigrated, remains a lofty vocation and one of the highest forms of charity, inasmuch as it seeks the common good...I beg the Lord to grant us more politicians who are genuinely disturbed by the state of society, the people, the lives of the poor! It is vital that government leaders and financial leaders take heed and broaden their horizons, working to ensure that all citizens have dignified work, education and healthcare. (205)



Left to Right: Thomas Nast, Boss Tweed, before 1871; Boss Tweed & the Tammany Ring, circa 1870



The Pope suggests a second theoretical means for overcoming the spiritual darkness of modern acquisitiveness: new institutional arrangements which will, hopefully, empower those who lack access to the resources necessary for successful engagements with markets:

The need to resolve the structural causes of poverty cannot be delayed, not only for the pragmatic reason of its urgency for the good order of society, but because society needs to be cured of a sickness which is weakening and frustrating it, and which can only lead to new crises. Welfare projects, which meet certain urgent needs, should be considered merely temporary responses. As long as the problems of the poor are not radically resolved by rejecting the absolute autonomy of markets and financial speculation and by attacking the structural causes of inequality (173)...no solution will be found for the world's problems or, for that matter, to any problems. Inequality is the root of social ills. (202)

We can no longer trust in the unseen forces and the invisible hand of the market.



*Making a new beginning: the first session of the United Nation's General Assembly*

Growth in justice requires more than economic growth, while presupposing such growth: it requires decisions, programmes, mechanisms and processes specifically geared to a better distribution of income, the creation of sources of employment and an integral promotion of the poor which goes beyond a simple welfare mentality. I am far from proposing an irresponsible populism, but the economy can no longer turn to remedies that are a new poison, such as attempting to increase profits by reducing the work force and thereby adding to the ranks of the excluded. (204)



*Carl Morris, Untitled, WPA Federal Arts Project Mural, Eugene Post Office (Eugene, OR), 1942*

Yet we desire even more than this; our dream soars higher. We are not simply talking about ensuring nourishment or a “dignified sustenance” for all people, but also their “general temporal welfare and prosperity.” This means education, access to health care, and above all employment, for it is through free, creative, participatory and mutually supportive labour that human beings express and enhance the dignity of their lives. A just wage enables them

to have adequate access to all the other goods which are destined for our common use. (192)

Pope Francis reiterates that a portion of Catholic social teachings believes that there is more to private property than exclusive personal rights of exploitation. The perception is that private property does not stand alone outside a system of law and social justice. It exists to serve human purposes which can have higher aspirations than greed, satiation and willfulness.

The Pope is asking for something which is not yet institutionalized, something more than a brute capitalism, but not state socialism. But, is there such an alternative to present arrangements?



*Charting a new course for a nation: Signing the Declaration of Independence by representatives of the former North American colonies of the British Crown on July 4, 1776*

The Pope provides a caution to those who would seek to bring upon us a “new heaven and a new earth.” Ideas and realities are not one and the same. Ideas – even very noble and high-minded ones – are not pregnant with reality. Pope Francis, with his wisdom, reminds us that:

There also exists a constant tension between ideas and realities. Realities simply are, whereas ideas are worked out. There has to be continuous dialogue

between the two, lest ideas become detached from realities. It is dangerous to dwell in the realm of words alone, of images and rhetoric. So a third principle comes into play: realities are greater than ideas. This calls for rejecting the various means of masking reality: angelic forms of purity, dictatorships of relativism, empty rhetoric, objectives more ideal than real, brands of ahistorical fundamentalism, ethical systems bereft of kindness, intellectual discourse bereft of wisdom. (231)



*Righting Past Wrongs: US President Lyndon B. Johnson signs legislation ending legal segregation in the United States*

Ideas – conceptual elaborations – are at the service of communication, understanding, and praxis. Ideas disconnected from realities give rise to ineffectual forms of idealism and nominalism, capable at most of classifying and defining, but certainly not calling to action. What calls us to action are realities illuminated by reason. Formal nominalism has to give way to harmonious objectivity. Otherwise, the truth is manipulated, cosmetics take the place of real care for our bodies. We have politicians – and even religious leaders – who wonder why people do not understand and follow them, since their proposals are so clear and logical. Perhaps it is because

they are stuck in the realm of pure ideas and end up reducing politics or faith to rhetoric. Others have left simplicity behind and have imported a rationality foreign to most people. (232)

What is needed, then, to respond properly to Pope Francis' concerns is a set of ideas about a moral capitalism that is grounded in reality. The Caux Round Table's ("CRT") global Principles for Responsible Business provide such a template.

The CRT's 2013 Global Dialogue, held in Bangkok, Thailand, last October, proposed an approach to reshaping capitalism that would meet the Pope's call for enhanced responsibility in finance and business.

To read the CRT's Bangkok Agenda, please see the following pages.



# THE BANGKOK AGENDA: RESHAPING CAPITALISM TO ENSURE SUSTAINABILITY

## 2013 GLOBAL DIALOGUE

We, the participants in the 2013 Caux Round Table Global Dialogue held in Bangkok, believe that:

Our global future is being threatened by large and unsustainable imbalances in our free market economic system. The current unacceptably high levels of debt, unemployment, inequality, and environmental degradation are simply not acceptable. Despite significant recent progress in promoting corporate social responsibility and better governance, we face these unsustainable shortcomings in our global economy.

Poor governance, short-term strategic thinking and a widespread leadership vacuum, combined with an ongoing tolerance of crony capitalism and even corrupt practices, lie at the heart of the problem. And if our longer-term prosperity and well-being are to be secured, these shortcomings must be offset and the serious imbalances they cause corrected.

What then must be done? What steps must be taken? How do we fully capture the proven and unique capacity of free and fair markets to create wealth, deliver fulfilling employment, promote true justice, and lift the level of prosperity for all? How can we inform, energize and support policy and community efforts to bring about the

needed positive change? How can we best harness the innovation and passion of the global business community to deliver these goals?

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 community and ecological well-being. And ethical and moral values cannot simply be subordinated to short-term interests and profits.

Even Adam Smith recognized that free markets do not automatically deliver effective mechanisms of good governance and accountability. Put simply, free markets by and in themselves do not always serve the common good, nor prevent corrupt behavior.

The solution to these shortcomings and imbalances is not to simply jettison the modern free market economy itself, but to re-institutionalize the values that made this system so successful in the first place. This means ensuring that wise stewardship, good governance, and concern for all stakeholders again become the core values that drive market behaviors and dynamics.

<sup>1</sup>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.

Ensuring that all market, financial intermediation and business activities are underpinned and guided by a rich set of ethical principles is critical to this. For the business world, the Universal Principles for Responsible Business<sup>1</sup> provides a comprehensive set of such principles.

With business holding many of the keys to the needed rebalancing, it is also critical that the barriers to more enlightened and long-term value creation be addressed. In particular, executive incentives must be re-aligned so that the full spectrum of business externalities and longer-term risks and opportunities are recognized and managed. After all, the real prospects and hence the true value of any company necessarily includes not just its relevant tangible assets and liabilities but also the intangible ones – such as customer loyalty, employee productivity, supplier quality, credit worthiness, community approval, and environmental externalities.

Hence, the narrow financial view of value that prevails across business must move to one that embraces a true ‘sustainability’ balance sheet view. In other words, the full footprint of business, including that of their stakeholders and in the broadest societal and environmental sense, must be factored into their policy and decision making, and into their performance score cards.

Additionally, the relentless and ultimately unsustainable pursuit of compound growth for growth sake needs to be offset with broader considerations of value. Political, business and community mindsets must therefore shift from a near total pre-occupation with compound quantitative growth to ones equally concerned over the quality and sustainability of the growth. Perhaps the equilibrium of sufficiency rather than excess must be our goal.

This reshaping of the free market economy, however, leaves many practical challenges which the wider political, business and civil society communities will need to embrace together. Key amongst these challenges are a number of fundamental and interrelated questions:

- How can the management of sustainability issues, and hence the full spectrum of stakeholder risks, be reinforced on the part of boards as essential fiduciary duties?
- How can ethics and social, environment and governance (ESG) risk management become mainstream topics in the education of current and future business and political leaders?
- How can equity and other financial markets be reformed so that long-term value creation, rather than short-term speculation, is supported and encouraged?
- How can reward structures be reshaped to avoid rewards for failure and the incentivizing of short-term and narrow self-interested management and behaviors?
- How can consumers shift their purchasing power away from unsustainable acquisition so that the pursuit of sustainable growth, incorporating principles of sufficiency, becomes the norm for business and society?

The stark reality is that if our modern free market economic system is not rebalanced to deliver more equitable, moral and sustainable outcomes, the clock will continue to tick towards the next global crisis. Every such crisis ultimately undermines the credibility of free market mechanisms and submerges them under inefficient politically driven regulation, with

the consequent loss of cultural creativity, social dynamism, and wealth.

To address and answer these profound challenges and questions, major business, civil society, academics, policy making and regulatory groups must work together. We therefore propose to initiate a global process of consultation towards this end, leading to a global summit to map out the needed policy and reform steps to reshape the global market economy.

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