

January 2020

VOLUME XI, ISSUE I

PEGASUS

A NEWSLETTER FOR THE CAUX ROUND TABLE FOR MORAL CAPITALISM
NETWORK LOOKING AT BUSINESS ABOVE THE CLUTTER AND CONFETTI



Pegasus

Introduction by Stephen B. Young

Page 2

Caux Round Table for Moral Capitalism
2019 Year in Review

Page 4

Introduction

This issue of Pegasus brings you a review of our activities during 2019. To introduce the issue, I want to reflect a moment on history. In the evolution of global capitalism towards sustainability and inclusion, 2019 was an historic year. The parallel statements of the Business Roundtable and World Economic Forum advocating stakeholders as beneficiaries of private firms in free market economies ended an era of moral philosophy in capitalism and began another.

The old moral philosophy was to prioritize owners over other stakeholders, elevating extraction of cash value from the firm and markets as the purpose of a firm. This philosophy had its roots in the Social Darwinism, proposed by Herbert Spencer in 1851.

But perhaps the importance of history is the learning it provides us about the human condition. Those who can't remember the past are condemned to repeat it. This is true. If we can't learn from our mistakes and those of others, then we can only poorly understand others and predict what they will do next. We need to open our minds to the "tides in the affairs of men," as Shakespeare proposed and adjust our courses accordingly, as to whether they are high or low, rising or ebbing.

Events are not only object lessons. They are drivers of the future. They carry meaning for those who are alert and insightful. British Prime Minister Harold Macmillan, when asked what would change the course of his policies, replied, "Events, dear boy, events."

In previous issues, we brought forward observations about the Versailles Treaty of 1919 and the stock market crash of 1929. We could have noted the outbreak of war in 1939, as a consequence of the Versailles Treaty and the Great Depression set off by the financial market crash of 1929, Mao's 1949 victory in China, the Moon Landing of 1969 and the collapse of the Berlin Wall in 1989, as the termination of international Communism.

Great events, each teaching us something worth remembering about human folly and human idealism.

Events which bend history one-way or another should provoke us to see the big picture of what is going on, of what should be done and of what can be done. In the Judeo-Christian Old Testament, the wisdom book, Proverbs, advises, "Where there is no vision, the people fall into disarray." (29:18)

This leaves us with the challenge of who shall provide vision in our time – those who study history or those who ignore it?

Stephen B. Young

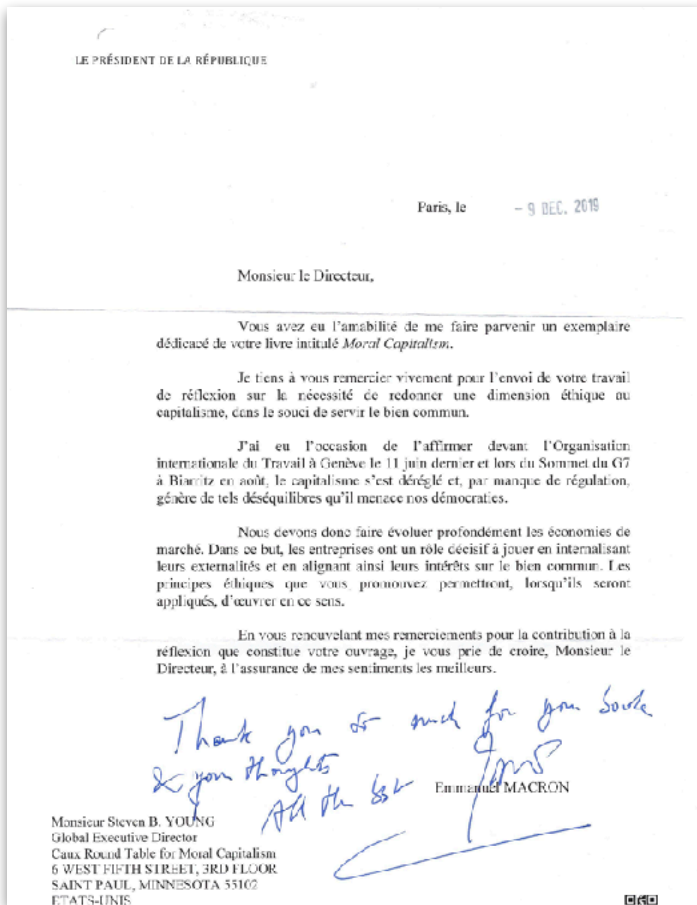
Global Executive Director

Caux Round Table for Moral Capitalism

Caux Round Table for Moral Capitalism 2019 Year in Review

Tipping Point for Moral Capitalism

What may have been the most important development for the Caux Round Table for Moral Capitalism (CRT) during 2019 was the affirmation of our vision for a moral capitalism by the Business Roundtable in August and the World Economic Forum in December. Each organization issued a statement to the effect that, going forward, the function of a company is not simply to make cash profits for its owners, but to provide various value propositions to its stakeholders. Earnings for owners, yes, but also intentional appreciation of their capital. Meritorious goods and services for customers, goods and services without negative externalities for individuals, families, communities and the environment. Wages and social wellbeing for employees. Fair returns to suppliers. Wealth creation for society which includes wealth transfers to government in return for the provision of public goods.



Letter from French President Emmanuel Macron

The CRT has been advocating such a capitalism since the publication of its Principles for Business in 1994. The implementation of such capitalism is presented in the books, *Moral Capitalism* and *The Road to Moral Capitalism*, available on Amazon.

We also received a very kind letter from French President Emmanuel Macron endorsing our vision and our mission.

What was advertised by Congressman Joseph Kennedy III in January 2018 is becoming conventional wisdom. The Bank of America/Merrill Lynch in an advisory note to private wealth clients on the trends which will shape the next decade included moral capitalism as a fundamental new departure.

Twenty Fifth Anniversary of CRT Principles for Business

On November 22, in Minneapolis, we held an event to mark the 25th anniversary of the CRT Principles for Business. Paul Polman, Chairman of the International Chamber of Commerce and former CEO of Unilever, spoke on the convergence of meritorious business outcomes with sustainable profitability.

Congressman Dean Phillips spoke in support of the vision of moral capitalism. The first annual Dayton Award for Distinction in Moral Capitalism was presented to Douglas M. Baker, Jr., CEO of Ecolab.

Letters of appreciation and congratulations were received from the Business Roundtable, American Enterprise Institute and Senators Marco Rubio and Amy Klobuchar.



Presentation of Dayton Award to Douglas M. Baker, Jr.

Global Dialogue

The 2019 Global Dialogue, “Three Paradigms for the Global Economy: Nationalized Socialism, Brute Capitalism or Moral Capitalism?,” was held on November 22 and 23 in Minneapolis.

[The proceedings can be found here.](#)

Valuation Round Tables

Our central initiative to design better ways for companies to use moral capitalism as their best practices is to convene round tables to consider the modernization of valuation methodology.

The basic proposition is that when their prices are reasonable measures of sustainable value and so “correct,” financial contracts do not destabilize the real economy of production, distribution and consumption. The dysfunction of finance arises when valuations are “incorrect” too high or too low. Asset bubbles are the current worry in economies

carried forward by means of public sector fiat currency generation. Also, valuations which attract trading and speculation in financial contracts tilt income and wealth distribution towards those who have access to liquidity.

The emerging understanding of capitalism no longer takes shareholder primacy as fundamental to capitalism and as the best measure of a firm's success or failure. Recent statements by the Business Roundtable and World Economic Forum (echoed by a Bank of America/Merrill Lynch investment forecast for the coming decade) describe the reality in which businesses must seek adequate returns as much more complex than simply seeking short-term cash returns for owners. That complexity arises from the necessity to engage with a range of stakeholders.

The CRT emphasized in 1994 with its Principles for Business the primacy of stakeholders and so pointed to the need for management metrics which align with the risk management responsibilities of engaging with stakeholders. Now, conventional wisdom seems to have caught up with this insight into the responsibilities incumbent on successful capitalist enterprises.

Since stakeholders are the source of enterprise risk and return, they function as assets or as liabilities of the firm, albeit not under firm direction or control. Thus, new balance sheet configurations are needed for boards and CEOs to track more comprehensively the probabilities of firm success and become more aware of potential failures when risk mediation is still possible. This argues for new balance sheet constructs for social, human and other intangible forms of capital.

We are in discussion with the Royal Institute of Chartered Surveyors which has a branch for business valuation in New York City to hold a round table there this spring to bring forward insights and recommendations on valuation methodology.



Assemblée Nationale · Paris

In 2019, we held round tables in Sydney with Westpac Bank, in Amsterdam with the Net Impact Institute and ABN AMRO Bank and in Paris at the National Assembly. Oxford Analytica provided a background paper on current approaches to valuation and current considerations of how to improve on conventional practices.

Country Initiatives

In China, the CRT participated in a conference on natural law at the Institute of Human Rights at the Chinese University of Political Science in Beijing suggesting that ancient Chinese writers on jurisprudence advocated a firm understanding of natural law which imposed moral constraints on the state, very similar to those found in the CRT Principles for Government – that secular public office is a trust for the common weal.

In Russia, we committed to publish a book of essays on the ethics of data collection over the internet and its use in AI.

At the Vatican, we presented a paper on Western and Eastern approaches to the common good at the annual meeting of the Centesimus Annus pro Pontifice Foundation, the lay foundation established by Pope John Paul II to promote Catholic Social Teachings for business and finance.

In Japan, we contributed a chapter to a book published by Kyoto Sangyo University in Japanese on public policy and the economy.

We continued our close collaboration with the Convention of Independent Financial Advisors in Geneva.

To develop practical modules in moral capitalism for presentation in companies, we reached out to the Offutt School of Business at Concordia College and the Gore School of Business at Westminster College.

Covenants of the Prophet Muhammad with Christian Communities

In a bit of a side project, the CRT used its good offices to bring together, first at the Vatican and then in Istanbul, Muslim and Christian scholars and clerics to consider the historicity of certain texts. There are extant texts of six covenants made by the Prophet Muhammad with Christian communities to respect and protect them.

One of these texts, the Covenant of the Prophet with the Monks of the Monastery of St. Catherine in Sinai, was cited by a justice of the Supreme Court of Pakistan in November 2018 in a concurring opinion overturning the conviction of a Christian woman for blasphemy. In the two workshops, consideration was given textual meanings, passages

from Qur'an, the Hadith or sayings of the Prophet, the history of the Prophet and his Companions, historical sources from Syriac archives, Ottoman documents and practices, the situation of politics in Arabia during the Prophet's life with rivalry between Christian Byzantium and Zoroastrian Sassanian Persia and other aspects brought forth by the scholars. Proceedings were written to summarize the discussions.

The balance of the evidence presented thus far indicates that at least some of these covenants were indeed part of the practice or Sunnah of the Prophet and should be respected by all Christians and Muslims as such.

We are very pleased to have met in Istanbul with His All-Holiness, Patriarch Bartholomew, of the Greek Orthodox Church and to have the supporting participation of H. E. Ahmet Davutoglu, the former Prime Minister of Turkey and the support of Sehir University in Istanbul and Hamid Bin Khalifa in Doha, Qatar. We were further grateful to Archbishop Tomasi Silvano and for a letter of encouragement from Cardinal Parolin, the Secretary of State at the Vatican, speaking for himself and the Holy Father, Pope Francis.

The covenants, if respected and followed today, would reframe relations between Muslims and Christians worldwide from suspicion and resentment to mutuality and friendly engagement. Such harmony would be very much in keeping with the CRT's continuing efforts to seek out a common wisdom in many traditions which advises living ethically and responsibility in all our business and financial undertakings.

Pegasus

[We published 12 issues of Pegasus](#), our monthly newsletter.

Business and Public Policy Round Table Discussions

We held round table events on the following topics:

- Cybersecurity and business responsibility
- Hiring for character, training for competence
- 25th anniversary of CRT Principles for Business
- Financialism
- President Trump's trade war

Public Office Public Trust Workshops

We conducted three workshops for elected officials, political candidates and activists around our Principles for Government at the Humphrey School of Public Affairs at the University of Minnesota.

John Brandl and His Uncommon Quest for Common Ground

For eleven years now, the CRT has affiliated with three other local think tanks in Minnesota to collaborate on an annual program putting forward common concerns and aspirations. These annual events have been organized in honor of the late John Brandl, former Dean of the Humphrey School of Public Affairs at the University of Minnesota. This year, we held an open discussion to plan for next year's program.

New Website

After many years, our new website was finally launched early in the year. It's user friendly and updated frequently. As of the date of this writing, we've had 40,533 page views of our website since the launch. To view it, please visit: www.cauxroundtable.org

Email Notices

We sent at least a couple notices on relevant and timely topics out each week to our global email list.

Social Media

We posted several times each week to all our social media platforms. Follow us on [Twitter](#), [Facebook](#), or watch our videos on [YouTube](#).

Leadership and Organization

Board of Directors:

Brad Anderson, Co-Chairman United States
Tunku Abdul Aziz, Co-Chairman Malaysia
Devry Boughner Vorwerk United States
Louis DeThomasis United States
Doran Hunter United States
Mark Ritchie United States
Steve Young United States

Advisory Council:

Brian Atwood United States
Daniel Brennan United Kingdom
Karel Noordzy The Netherlands
Anand Panyarachun Thailand
Noel Purcell Australia
Heribert Schmitz Germany
Frank Straub Germany
Herman Wijffels The Netherlands
Domingo Sugranyes Bickel Spain

Senior Fellows:

Ronald Baukol United States
Kevin Cashman United States
Morihsa Kaneko Japan
Bob MacGregor United States
Fred Senn United States

Fellows:

Abdullah Al-Ahsan - Malaysia
Michael Bates United Kingdom
Yury Blagov Russia

Jose Luis Fernandez Fernandez Spain
David Grayson United Kingdom
Stephen Jordan United States
John Knapp United States
Michael Labrosse United States
Alexandra Lajoux United States
Baocheng Liu China
Lester Myers United States
Chris Pierce United Kingdom
Steven Pyser United States
Robert Scarlett United States
Recep Senturk Turkey
Kazuhiko Togo Japan
Ibrahim Mohamed Zain Malaysia

Staff:

Steve Young, Global Executive Director United States
Jed Ipsen, Associate Director United States
Rich Broderick, Director of External Affairs United States
Patrick Rhone, Director of Technical and Internet Support United States
Bethany Gladhill, Bookkeeper United States



www.cauxroundtable.org | Twitter: @cauxroundtable | Facebook: Caux.Round.Table

