



## **2019 Year in Review**

### **Tippling 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.

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 25<sup>th</sup> 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.

## **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.

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. The justice held that the terms of the covenant were binding on all faithful followers of the Prophet.

In the two workshops, consideration was given to 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
- 25<sup>th</sup> 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. To view it, please visit: [www.cauxroundtable.org](http://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.

## **Leadership and Organization**

Board of Directors:

Brad Anderson, Co-Chairman – United States

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Jose Luis Fernandez Fernandez – Spain  
David Grayson – United Kingdom  
Stephen Jordan – United States  
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Michael Labrosse – United States  
Alexandra Lajoux – United States  
Baocheng Liu – China  
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Chris Pierce – United Kingdom  
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