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

INTRODUCTION

In March 2016, the Caux Round Table ("CRT") actively engaged with the U.N.'s Economic and Social Council ("ECOSOC") to bring forward our best thinking on implementation of the new U.N. Sustainable Development Goals ("SDGs"). Two leadership gatherings were convened by Ambassador Oh Joon of South Korea, the current President of ECOSOC. One was to consider the special efforts implied by SDG number ten on reduction of inequalities. The second was to lay the groundwork for cross-sector partnerships, which will be necessary to implement all of the SDGs.

We attempted to support these meetings constructively by providing comments and advice consistent with the CRT's ethical Principles for Business and Governments. I have, therefore, included our submissions in this issue of *Pegasus* so that we all may have a record of our recommendations for consultation in the coming years.

This issue also includes: the proceedings of a workshop on social and human capital inputs to the processes of reducing inequalities of wealth and income; the paper prepared for that workshop; my comments before the ECOSOC; and a paper arguing for fiduciary standards of accountability to be applied to all cross-sector partnerships.

All of our contributions descend intellectually from a core proposition that moral and ethical factors – even though intangible – drive constructive (and its inverse – deconstructive) activity, even in the economy. Thus, such factors must always loom large in our minds when we consider how to improve economic outcomes for individuals and societies.

I hope you will find a review of our recommendations persuasive and will forward this issue to others who might similarly welcome our approaches.

Stephen B. Young
Global Executive Director
Caux Round Table

March 7, 2016 Workshop on Social and Human Capital
As Requirements for Wealth Creation

Convened by the Convention of Independent Financial Advisors with ECOSOC General Consultative Status and the Caux Round Table

"*Poverty anywhere is a threat to prosperity everywhere*."

Introduction

Goal 10 of the Sustainable Development Goals, adopted by the United Nations on September 25, 2015, calls on member states to "reduce inequality within and among countries." Currently 1% of the world's population owns 50% of the world's wealth, up from 40% just ten years ago.

Wealth creation is needed to reduce inequalities of income and wealth. While some wealth redistribution can be appropriate and effective, the better focus for achieving more equitable participation in higher living standards on a sustainable basis is on creating new wealth.

Studies show that taxes can never amount to more than 18 to 20 percent of GDP on any sustained (or sustainable) basis. Similarly, philanthropy, while useful in creating social capital, cannot alone cure inequality.

Wealth creation results from the application of capital to enterprise. Forms of capital are: natural, financial, physical (infrastructures), social, and human. Social capital includes, among other values and institutions: moral capital, cognitive maps of meaning, governance, management structures, habitual behaviors, and expected iterative transactions. Human capital is partially a product of social capital and in turn creates and sustains social capital.

Poverty Defined

In seeking implementation of the SDGs, poverty must not be defined as a status implying humiliation or degradation. The human person lives spiritually as well as materially so that a poverty of money and possessions carries no implications for the quality of a person's soul and redemptive possibilities.

Poverty of means should be distinguished from poverty of values. Buddhist monks take vows of poverty; Jesus Christ taught that "man does not live by bread alone but by every word of God"; the Qur'an provides guidance that "The life of this world is but a vain provision" (57:20) and that "In God let the faithful put their trust" (5:11); Confucius advised both that "People are born for uprightness" and that "Riches and honor are what people desire. If they cannot be obtained in the proper way, they should not be owned" (*Analects* Bk IV, Chpt. V, Bk VI, Chpt XVII)

We must avoid casual usage of the term *human capital* as a mindset which de-humanizes or objectifies human persons.

Poverty properly understood is a lack of capacity to realize potential. It is a lack of capitals. It may also most importantly refer to a poverty of mind and spirit that inhibits growth in the capacity to use capitals. All poverty is a lack of generativity of a life well-lived for ourselves and of better lives for those to come in the future.

There is an especially pernicious form of mental poverty which lies sunk in the dysfunction of a selfishness where a balance is lost between the perceived self and the community which supports the self, the dysfunction of an un-awakened soul that lacks a capacity for compassion and neighborly engagement.

Wealth Creation Formula

Values (richness in mind and spirit) build trust, which leads to trade and exchange, which bring about economic growth.

Values are intangible assets therefore, government, businesses, and faith communities should engender the creation of such intangible assets to as to spur that chain of causal relationships.

For example, as noted in Garett Jones' "*Hive Mind*," the higher a country's IQ, the greater its economic growth. But Social Intelligence correlates to economic success as well.

Added to the list of personal intangible assets (see attached chart) should be the character traits of loyalty, drive, ambition, gratitude, and duty. Both ambition and pride can have a negative consequences if they grow unchecked into arrogance or hubris.

Thailand, the fifth rising Asian tiger 20 years ago, offers itself as a model for the SDGs. In its response to the 1997 financial crisis, Thailand concluded that it was too reliant on and exposed to global market forces. Therefore, the Thais turned to SEP (sufficiency, economy and philosophy) plus moderation and accommodation to recover and to thrive. In doing so, Thailand now enjoys a very high happiness index rating.

Rules of the Game (Social Capital) Determine Outcomes

How much wealth an economy produces for distribution depends on its Rules of the Game for the productive use of capitals.

Rules of the Game influence a society's values, its capacity for trust, and the quantity and quality of its openness for trade and exchange.

Within each country and society, the prevailing customs and values will dictate the amount of intangible social and human capital that is available to generate growth and development. The SDGs provide a set of rules through which all countries and societies can increase their intangible assets, and in doing so, achieve equality.

Good governance builds trust and so is the foundation of all collaboration and wealth creation.

Sustainable Development Goals: New Macro-Level Rules of the Game

Just as the creation of the UN and the UDHR in the late 1940's was a generative investment in humanity, the SDGs represent a contemporary generative investment. The SDGs have the potential to be the nutrients for the next generation. The SDGs are best understood as being an inter-related mosaic that shares one common vision to promote development in a way that is consistent with preserving and protecting human dignity.

As many have documented, economic development strongly improves performance on the SDGs, particularly when the economic development occurs through good governance. In addition, economic developed when done under good governance tends to occur faster and more equitably across the population.

Human Capital: Ending Extreme and/or Multi-Generational Poverty

Ameliorating extreme and/or multi-generational poverty requires coordinated services across all government, faith, academic, and non-profit sectors so as to present a comprehensive, cohesive and holistic force for effective and lasting change. As part of any such effort, we need to be informed by the fact that much of human potential is determined by experiences a child has before the age of 7. Early childhood education promotes human capital.

Certain environments encourage mediocrity and discourage people from taking full advantage of their skills and knowledge. Hence, we need institutions that create high expectations and to spread a culture of excellence and success. Those institutions should imbue in their students the concept of growth and should encourage their students to find, develop, and use their talents.

Given the very human propensity for self-destructive behavior (e.g., drug use, violence, tobacco use, gambling addiction), we need to build programs that help people recover from their addictions and mistakes and be resilient.

Human Capital Formation: Bridging the gap between secular and religious worlds

For a matrix of human capital accounts at the level of the individual see Annex 1 below.

We need to understand that, while secularism is worldly, it does not reject spiritualism. Indeed, the secular world generally supports and promotes justice and development. For their part, faith communities often provide secular services. Just as Catholic and Protestant moral teachings focus on the needs of the poor, the Koran defines faith in terms of secular services and taking care of the poor, the orphans, and the disabled. Indeed, the religious world shares values across faith traditions. By contrast, the secular world is not united by shared underlying values.

Religions and faith communities provide humanity with varieties of moral capital, a component of social capital, a shaper of Rules of the Game, and a generator of human capital.

Social Capital: Transparency/Accountability and Social Dialogue

Transparency creates social capital that, in turn, creates trust and stewardship by providing for accountability on the part of all those in positions of power. We want to improve transparency in both government and business in order to promote development, trust, and social capital.

Transparency/accountability promotes meaningful social dialogue. Dialogue can be transformative – through dialogue with people of differing views, we take our beliefs to another level, informed (and improved) by the perspectives of others. In that way, we then create community in the crucible of asking tough questions. Trust is built in such dialogue as a response to vulnerability. We must also promote the acceptance of "difference" and "otherness" and find the balance between "you" and "I." In that process, we find compassion (awakening leads to balance, which leads to compassion).

Dialogue brings us out of mental poverty, makes us resilient in the face of obstacles and set-backs, and provide checks and balances necessary for good governance.

Government, businesses, and civil society organizations (including religions) should permit and promote the pursuit of values that will promote and improve transparency, accountability and social dialogue.

Social Capital: the Governance Responsibilities of Corporate Boards and Financial Elites

The private sector will produce nearly all of the wealth needed to implement the SDGs and reduce inequalities of income and wealth. Corporate boards need to discuss generative questions about social justice and fairness. Enlightened boards understand that persistent, multi-generational poverty constitutes an existential threat to a healthy business environment. Just as some fund managers no longer look at quarterly results, businesses (and their board members) should focus on the long term as well.

Boards need to create trust and generate conscience. As we ask boards to promote fairness, we need to "businessify" the language of the SDGs, by using language that does not sound as if it is imposing non-financial and unquantifiable values on financial metrics (or speak in terms of "social and human capital inputs" to introduce human concerns to business decision-makers), so we do not alienate the board members. If we can show that alignment with good social and human capitals is in their company's interest, we will have much better success in achieving sustainable wealth creation with justice.

Board members should occasionally meet on site to see first-hand certain problems or potential problems at ground level. Wherever there is a failure of corporate governance, inequality is likely to occur.

Under the Rules of the Game most favorable to sustainable wealth creation, profits recognize the hard realities, the worldly, unavoidable truth, of a company's prospects.

Intangible and Tangible Capitals Join Forces in Creating Wealth

As shown in Annex 2 (starting on page 16), all societies have both tangible and intangible assets that can and should be harnessed for development. Tangible and intangible assets should be recognized and measured, both for their positive attributes and for their potentially negative characteristics.

James Dorsey, Rapporteur

Annex 1

Human Capital Balance Sheet
(Individual)

Intangible Assets

Investments in Self — Intangible

Assets

- Self-confidence
- Self-respect
- Courage
- Education
- Character
- Mindfulness
- Patience

Liabilities

- Pride (hubris)
- Co-Dependency
- Low Social Intelligence
- Afflicting Emotions

Societal Investments — Intangible

Assets

- Loyalty
- Humility
- Love/Friendship
- Transparency
- Trust
- Gratefulness
- Leadership
- Creativity
- Engagement with Task

Liabilities

- Manipulation
- Enmity
- Low Emotional Intelligence

Investments in Self

Societal Investments

Investments in Self — Tangible

Assets

- Skills
- Money
- Managerial Power

Liabilities

- Irrational Exuberance
- Narcissism

Societal Investments — Tangible

Assets

- Servant Leadership
- Stewardship
- Charity
- Invest in Enterprise

Liabilities

- Bribery & Corruption
- Rent Extraction
- Fraud

Tangible Assets

Concept Paper: **Reducing Global Inequalities**

Stephen B. Young
Global Executive Director

Goal 10 of the new UN Sustainable Development Goals seeks to "Reduce inequality within and among countries".

Economic inequality arises from unequal access to the possession of wealth. Wealth is a social product made available through economic activity - the production and distribution of goods and services, including financial services.

During the 15 years of efforts to realize the Millennium Development Goals, millions of people moved out of poverty, but most of these were citizens of China and India who benefitted from the successful economic growth experienced by those societies. India and China created more wealth for both the public and private sectors and distribution of that wealth moved poor people out of their poverty. Economic growth was a public good which brought into being higher standards of living for individuals.

While individual labor is a necessary part of wealth creation, the application of capital to economic activity brings far higher returns than working for a wage. Those with access to capital have much higher incomes and ownership of more wealth than do individuals – the vast majority of humanity – with no capital to invest in enterprise or financial intermediation. Accordingly, unequal possession of capital is frequently highlighted as the most serious cause of social and economic inequality among individuals.

Hernando De Soto has called for enhancing the capital accounts of individuals to help them move out of poverty in his book The Mystery of Capital. His particular recommendation is to use government and law to provide individuals with title to their homes, thus making them capitalists.

Another recommendation for "capitalizing" individuals to give them access to more wealth was made by the American Louis Kelso in his proposal for allowing employees to buy shares in their companies. The CRT has built on this idea with a concept called "Employee Capitalism."

Conventionally the form of capital most discussed, especially in the tradition of Karl Marx, is financial capital – real assets with values that are expressed in terms of money, including money itself and claims to future payments of money, and which can be easily bought and sold. Yet this is too simplistic a measurement of the capacity to create wealth. The capital which brings forth wealth takes various forms, not just that of money and its equivalent in tradeable property.

The most important non-financial forms of wealth-creating capital are: natural capital (natural resources which can be converted into economic value), social capital, and human capital.

Recently more attention has been paid to defining and measuring these forms of capital.

The Caux Round Table (CRT) in 2004 proposed that the value of a business firm depends on the combined use of reputational capital (goodwill), social capital, human capital, financial capital and physical capital. The International Integrated Reporting Council also now asserts that the value of a business firm consists of natural, social, human, and financial capital.
(Their report can be found here: http://integratedreporting.org/wp-content/uploads/2015/03/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf)

The CRT has further concluded that reputational capital, social capital, and human capital were needed for wealth creation prior in time than financial capital. Financial investment in a firm followed on a demonstrated and credible capacity to deploy in the market a good reputation, social coherence in organization, and relevant skills and talents. More than money is needed to start and run a business. The tangible asset of money, which acquires land, plant, equipment, and hires employees, flows from the intangible assets of reputation, social capabilities and human potential.

In 2013 the CRT proposed that new balance sheets be drawn up for companies and countries which reflect the application of all forms of capital. The CRT proposal is attached as *Annex 1*. The importance of balance sheet reporting for all forms of capital is to remind us that stocks of capital can be enhanced as well as degraded just as all assets and liabilities reported on a traditional balance sheet can increase or decrease over time through the efforts of the firm and changes in its circumstances. For example, climate change is a process of degrading certain stocks of natural capital and political turmoil degrades social capital.

Natural capital

Natural capital is now measured by the World Bank and the World Business Council for Sustainable Development. (The World Bank Report, Moving beyond GDP, can be found here:http://documents.worldbank.org/curated/en/2012/06/16342172/moving-beyond-gdp-factor-natural-capital-economic-decision-making)

The WBCSD is leading a Natural Capital Coalition to develop intellectual property with respect to the use of Natural Capital.
(A recent report of the Coalition can be found here: file:///C:/Users/STEPHEN/Downloads/NCP%20Workshop%2020%20April%202015Summary.pdf)

Social Capital

The World Business Council for Sustainable Development has proposed a social capital protocol.
(The WBCSD protocol can be found here: http://www.wbcsd.org/SocialCapital.aspx)

The World Bank Development Report for 2015 – Mind, Society and Behavior - argued for the fundamental importance of social capital for successful economic development.
(The report can be found here: http://www.worldbank.org/content/dam/Worldbank/Publications/WDR/WDR%202015/WDR-2015-Full-Report.pdf)

The CRT has ranked countries for the quality of their social capital. *See Annex 2*.

The quality of governance in a society or a firm is an important component of its social capital.

Human Capital

The World Economic Forum provides a measure of human capital at the country level. (Its report can be found here: http://reports.weforum.org/human-capital-report-2015/)

The World Bank Development Report for 2015 also considers human capital at the level of the individual to be germane for improved efforts at wealth creation. See report noted above.

Human capital also includes character strengths. According to the Search Institute, these are “sometimes labeled soft skills, non-cognitive skills, character skills, social-emotional skills, 21st century skills, and many other terms. In addition, they’re studied in many different disciplines, from educational psychology to behavioral economics to neuropsychology. But, in the end, they all point to a constellation of personal skills, attitudes, values, and mindsets that we’re calling, collectively, “character strengths.”

Character strengths such as perseverance, responsibility, empathy, and communications are critical for students’ success in school and in life.

According to Search Institute surveys of 89,000 U.S. middle and high school students, here are percentages of young people who report key character strengths:

- 75% Positive view of the future
- 71% Integrity, or acting on convictions and standing up for one’s beliefs
- 67% Responsibility
- 63% Sense of purpose
- 48% Interpersonal competence, including empathy, sensitivity, and friendship skills
- 33% Planning and decision making

Many aspects of human capital are formed by Moral Capital which is a part of Social Capital. Moral Capital supports social levels of trust, which is fundamental for enterprise and market success. Moral Capital is produced mostly by faith communities, wisdom traditions and family dynamics supplemented by formal education and cultural entertainment. Trust, self-confidence, and happiness are proxies for moral capital. Societies and communities or firms with higher levels of trust and happiness have larger stocks of quality Moral Capital. The World Bank Development Report for 2015 is, in effect, an argument for the development of Moral Capital as a foundation for economic growth.

These forms of intangible capital are public goods of high value. They are public in the sense that, if present in a society or a community, all in that community can benefit by taking advantage of those conditions. Consumption by one person does not necessarily detract from the ability of others to also access and use such intangibles for their own benefit. Individuals can be “free riders” with respect to use of such public goods taking advantage of or suffering from the quality and amounts of public goods provided by their society. But such capital goods are also simultaneously private goods for, as they become “owned” by individuals, those individual can become more energetically and successfully independent authors of wealth creation. Human capital is, by definition, both private to the individual and public in total aggregation to be of benefit to the society at large.

Social Progress Indicators

A blended approach to capital accounts has been invented by the Social Progress Imperative reporting process. Social progress here is divided into three categories of public goods: meeting basic human needs, foundations of wellbeing, and opportunity. These public goods also provide better living conditions for individuals as privately appropriated goods as well.
(The Social Progress Index 2015 can be found here: http://www.socialprogressimperative.org/data/spi)

Conclusion:

Any effort to increase wealth at the individual and the collective level is made more successful by the accumulation and protection of natural capital, social capital (including moral capital) and human capital. Measurement of these stocks of capital and the implementation of best practices in the accumulation of such capital are necessary for the better creation of wealth and so the reduction of inequality.

Recommendation:

That the ECOSOC convene a round table to permit articulation of the need for various forms of capital in the effort to reduce poverty in every nation. Authors and leaders of the several initiatives seeking to define and measure all the various forms of capital should be invited to share their views and data. Scholars to include to reflect on the need for quality social and human capital would include Francis Fukuyama, Amartya Sen, Andreas Suchanek, John Dalla Costa, Robert Putman, and Charles Murray. Hernando De Soto and Brian Atwood should also be invited to participate.

Annex 1

Caux Round Table Special Retreat on the "new" Capitalism

Bangkok October 8 and 9, 2013

On Sustaining Social Justice

1) Social Justice implies human flourishing. For social justice to occur individuals need supportive communities and communities need reciprocal participation commitments from individuals. Mutuality lies at the heart of social justice.

2) Recent advances in neuroscience and evolutional biology establish with near certainly that all persons come into the world with a capacity for moral engagement with others. Fostering such moral engagement then promotes social justice.

3) In addition to moral engagement, social justice requires physical and material well-being, conditions which are reached through economic activity. A fundamental good provided by economic activity is work; activity which provides each human soul with a sense of accomplishment and meaning; activity which binds the person to vital engagement with the flow of life, making each person an agent of history and of the evolution of the cosmos. To have work both in its limited meaning of earning a living and in its more spiritual sense of contributing to something larger than the self, to make a difference, is necessary for social justice.

4) From the dawn of time, economic activity bringing always improving living conditions for our ancestors has promoted division of labor and mutual cooperative engagements. Gaining most when tasks are divided among workers demands trust in others and reliance on their capacities for performance and their good intentions. Violence, exploitation, oppression, deceit undermine economic achievement.

5) Seeking better livelihoods occurs within systems of cooperation and production, systems set within the order of nature and within social and cultural institutions. Systems have their dynamic ecological realities of taking in and giving out, of exchanging resources consumed for outputs dispensed, of consuming and producing. System ecologies evolve to adapt to change, always seeking some higher of efficiency, satisfaction or equilibrium.

6) Economic activity is no exception. Economic practices have evolved over the millennia to embrace new technologies and new desires. Such evolution continues today. Nothing is carved in stone. What was a reality 20 or 100 years ago is no longer so true.

7) In the early centuries of the modern era, new levels of productivity and consumption were invented, subsequently given the name of "capitalism". Capitalism emerged as a system of collecting financial means for investment in enterprise that would find new applications for scientific advances in knowledge in the production of goods and services and of organizing new collaborative systems of large scale production and corresponding

powers to raise financial capital, hire and assign employees, and bring products and services to markets.

8) Capitalism relied on supportive legal institutions such as private property and the enforcement of contracts. But economic enterprise was always subject to the full range of sovereign power which could hamper or encourage increased productive activity. As the scale of capitalist production and market impact grew, civil society reacted adversely to its negative consequences such as pollution and other forms of environmental degradation, risks to health and safety, and restrictions on returns to labor. In response to the concerns of civil society, sovereign power was then asserted to prevent or remediate these negative externalities. New laws and institutions forced evolution of business practices.

9) Business practices bring about evolution of culture, politics and society. The increasing scale of capitalism since 1980, loosely called "globalization" has not only created the largest accumulation of liquid wealth in history, it has brought about the "global village" where communications are bridging heretofore communal idiosyncrasies creating a global commons of understandings, values, and expectations of social justice. This emerging global commons has taken human dignity as the test of social justice outcomes.

10) Respect for human dignity now constrains the autonomy of institutions – cultural, social, political and economic. Rights of dominion, once acceptable and legitimated by law and state practices, are being circumscribed. In the arena of capitalism, the evolution has been and continues to be towards a new, more complex, law of property. Decision-makers are less and less tolerated when they seek to internalize positive advantages and externalize to society negative consequences. Property rights now come with encumbrances to take into account the needs and interests of stakeholders. It is as if the law of nuisance – *sic utere tuo ut alienam no laedas*: "so use your own so as not to injure another's" – is expanding both at the hand of state regulation and through consumer advocacy on the part of civil society. The resulting practice is corporate social responsibility ("CSR").

11) In October 2011 the European Commission puts forward a new definition of CSR as "the responsibility of enterprises for their impacts on society". To fully meet their corporate social responsibility, the Commission advised, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of:

   – maximising the creation of shared value for their owners/shareholders and for their other stakeholders and society at large;
   – identifying, preventing and mitigating their possible adverse impacts.

12) The status of ownership encumbered by another's interest is an ancient one. Security interests in property and mortgage liens on property have dignified heritages; equitable estates vest at some future time; constructive trusts have long been imposed where property has been used inequitably. Respect for separate but concurrent claims on

specific property is an aspect of property law which considers ownership more as a trust responsibility than as personal dominion.

13) A new capitalism is emerging which, under this new, more restricted understanding of ownership, puts stakeholder considerations front and center in business enterprise. This is a capitalism more and more guided by the innate moral sense of humanity.

14) Humanity's moral sense speaks through many religions. It is the "golden rule". It resides in the Catholic social teachings of human dignity, subsidiarity, solidarity, and goods encumbered with a moral lien in favor of society. It justifies reformed Christians in their ministry of seeking God's grace. It is expressed in Islamic guidance that humanity is a steward for the Lord, holding his bounty in trust. It motivates Confucian concern for virtuous self-restraint. It lies within Buddhist mindfulness that the self is always in transition.

15) As capitalism has grown in scale under globalization, its sub-systems have grown more complex and interdependent, making it more and more difficult to exercise unilateral dominion. Excess is disciplined through checks and balances imposed by markets, by governments and by civil society seeking to restore system sustainability. Excesses of mispricing and leverage arbitrage in financial services were punished with the collapse of credit markets in October 2008 followed by remedial legislation. The excess consumption of raw materials and hydro-carbons is being punished with rising prices as the inputs to capitalism – such as water - become more and more scare and with climate change. Civil society is more and more rewarding companies that act now to reduce their carbon footprint or otherwise "go green".

16) Sustainability becomes more and more necessary as systems of production, consumption and finance become complex, in turn breeding new substructures not mindful of the needs of the whole and so pushing themselves towards excess. Sustainability is the necessary mindfulness that avoids excess and system failure. It is, in essence, a moral attitude not a business practice only.

17) Systems have both income statements and balance sheets. Their income statements track the flow of inputs and outputs; their balance sheets record their assets and liabilities. As the practices of capitalism turn toward enhanced responsibility for the common good, its assets and liabilities must be recast from traditional notions to new ones that include intangibles and externalities.

18) As with any productive, living system, the "new" capitalism has its capacities for doing good – "assets" – associated with risk factors compromising its potential for doing good – "liabilities". The "new" capitalism which has emerged under conditions of globalization seeks to minimize its liabilities and optimize the generative capacities of its assets – producing human flourishing and social justice. This is the mission of corporate social responsibility.

GLOBAL CAPITALISM REAL VALUE BALANCE SHEET

FINANCE CAPITAL
- Tangible Assets
  - Net Present Value of future global GDP (multiplier)
    - NPV of global payroll
    - NPV of global return on financial assets
  - Total global equity
  - Available short-term liquidity global
    - Global Money Supply
  - Value of the Informal Economy
- Tangible Liabilities
  - Global Credit Outstanding
    - Long term debt
    - Short term debt
  - NPV of illicit capital flows
    - Developed countries
    - Poor and developing countries
- Intangible Assets
  - Total IPO funds raised
  - NPV of limited liability status
  - Average quality of financial institutions (Magni country rankings)
- Intangible Liabilities
  - Corruption index
  - Probability of financial market retraction

SOCIAL CAPITAL
- Tangible Assets
  - Average global GINI coefficient
  - Average global Human Development Index
  - Total employment
    - Men
    - Women
  - Birth Rate
  - R&D investment
  - Number of Patents Filed
- Tangible Liabilities
  - Deaths from war and civil disturbance
  - Earnings from crime – drugs, human trafficking, smuggling, fraud
  - Persons in poverty
- Intangible Assets
  - Average global human capital score
  - Average global social capital accumulation score
  - Average global freedom index
  - Rule of Law

        - Trust Index
        - Tolerance Index
        - Happiness index
        - Global Tourism

    - Intangible Liabilities
        - Children not in school
        - Human rights violations

PHYSICAL CAPITAL

- Tangible Assets
    - NPV of future returns on agriculture
    - NPV of future returns on extraction of natural resources
    - NPV of future returns on ocean products
    - Fresh water gallons per capita
    - Plant and equipment
    - Transportation Infrastructure
- Tangible Liabilities
    - Cost of natural disasters and drought
    - Cost of waste disposal and remediation
    - Cost of carbon removal
    - NPV of remediation of climate change
    - Depreciation costs of plant, equipment, infrastructure
- Intangible Assets
    - Clean Air
    - Clean Water
- Intangible Liabilities
    - Pollution
    - Opportunity cost of hydro-carbon use

NATIONAL REAL VALUE BALANCE SHEET

FINANCE CAPITAL

- Tangible Assets
    - Net Present Value of future GDP (multiplier)
        - NPV of payroll
        - NPV of return on financial assets
    - Total equity
    - Available short-term liquidity
        - Money Supply
    - Value of the Informal Economy

- Tangible Liabilities
    - Credit Outstanding
        - Long term debt
        - Short term debt

NPV of illicit capital outflows

Intangible Assets
- Total IPO funds raised
- NPV of limited liability status
- Average quality of financial institutions (Magni country rankings)

Intangible Liabilities
- Corruption index
- Probability of financial market retraction

SOCIAL CAPITAL
- Tangible Assets
  - GINI coefficient
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  - Total employment
    - Men
    - Women
  - Birth Rate
  - R&D investment
  - Number of Patents Filed
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  - Deaths from war and civil disturbance
  - Earnings from crime – drugs, human trafficking, smuggling, fraud
  - Persons in poverty
- Intangible Assets
  - human capital score
  - social capital accumulation score
  - freedom index score
  - Ease of doing business index score
  - Rule of Law
  - Trust Index
  - Tolerance Index
  - Happiness index
  - Tourism

- Intangible Liabilities
  - Children not in school
  - Human rights violations

PHYSICAL CAPITAL
- Tangible Assets
  - NPV of future returns on agriculture
  - NPV of future returns on extraction of natural resources
  - NPV of future returns on ocean products
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    - Cost of carbon removal
    - NPV of remediation of climate change
    - Depreciation costs of plant, equipment, infrastructure
- Intangible Assets
    - Clean Air
    - Clean Water
- Intangible Liabilities
    - Pollution
    - Opportunity cost of hydro-carbon use

COMPANY REAL VALUE BALANCE SHEET

FINANCE CAPITAL

- Tangible Assets
    - Net Present Value of future income
        - NPV of payroll
        - NPV of return to owners and investors
    - Total equity
    - Other financial assets

- Tangible Liabilities
    - Credit Outstanding
        - Long term debt
        - Short term debt
    - Other tangible liabilities
    - Losses from litigations
- Intangible Assets
    - NPV of limited liability status
    - Cost of capital
- Intangible Liabilities
    - Bankruptcy risk

SOCIAL CAPITAL

- Tangible Assets
    - Capitalization multiplier for governance
    - Capitalization multiplier for R&D

- Tangible Liabilities
    - litigations
- Intangible Assets
    - Brand value
    - Employee loyalty score

Trust Index
Tolerance Index
Happiness index

Intangible Liabilities
Cost of Officers and Directors Insurance

PHYSICAL CAPITAL

Tangible Assets
Plant and equipment

Tangible Liabilities
NPV of remediation of climate change
Depreciation costs of plant, equipment, infrastructure

Intangible Assets

Intangible Liabilities
Pollution
Opportunity cost of hydro-carbon use

Annex 2

Social Capital Achievement:

2009 Country Rankings

By Stephen B. Young and Josiah Lindstrom

The Caux Round Table recognizes that economic development does not occur independently from social, cultural and political institutions. Wealth creation is not an isolated, autonomous, selfreferential process within communities; it is a dependent variable, subordinate to the dictates of prior conditions. Markets are organic phenomena; they grow strong and vibrant only in facilitating environments. The Caux Round Table recognizes this dependence of wealth creation upon surrounding conditions as *Kyosei*, or dependent co-arising.

The institutes, values, and practices that participate in shaping wealth creation are the social capital of a society. Countries with high levels of social capital achievement are more economically prosperous and provide a higher quality of life for those who live in them. Countries with low levels of social capital are more prone to poverty, and more severe economic, political, and social inequities. High social capital achievement tracks the moral outcome noted in the Second Vatican Council pastoral Constitution, *Gaudium et Spes*, which holds that the common good is to be widely understood as the sum of those conditions of social life which enable groups and individuals to achieve their fulfillment more completely and readily. (p, 26)

Social capital achievement is an aggregate of three community sub-systems: 1) economic activity, 2) social/cultural variables, and 3) legal and political institutions.

Under equilibrium conditions, we hypothesize that social/cultural patterns heavily influence legal and political institutions, which, in turn, structure incentives, risk/return functions, and pricing conditions for economic activity. Economic activity, with a certain fixed cast to its allocation of risks and returns, then tends to sustain those who embody and articulate the dominant social and cultural patterns of society.

From this point of view, wealth creation will occur most robustly under favorable legal and political conditions that reward risk and investment. These legal and political conditions stand upon and reflect appreciative cultural values and social arrangements. Those cultural values and social arrangements will, in turn, be validated and legitimated into the future by the results of wealth creation.

Changes favorable to more robust wealth creation can be authored in the cultural/social subsystem. But, doing so, first demands innovation or tension in that sub-system triggering a break with status quo arrangements upholding lower levels of social capital or even social capital formations that are dysfunctional from the point of view of robust economic development. Then, new activity in the economic sub-system and new relations in law and politics resulting from these innovations in the cultural/social subsystem will evidence the effectiveness of emerging new arrangements for the growth of productive output and the accumulation of financial capital.

The Caux Round Table ethical Principles for Government and Principles for Responsible Business provide guidance for the cultural/social sub-system to bring forth sustainable wealth creating activity in the economic sub-system as supported by facilitating legal and political arrangements.

Since there are no direct measurements of social capital, the Caux Round Table has created a Social Capital Achievement ("SCA") score for 199 countries as an approximation of social capital achievement. The SCA for each country is computed by first ranking each country on 14 different measurements of economic activity, social/cultural variables, and legal and political institutions. A country's rank in each category measured is converted into a percentile reflecting its achievement in that category vis-à-vis other countries. An overall average ranking for each country is then calculated of that country's achievement percentile in the 14 measured categories and becomes that country's SCA score.

The economic components for the SCA rankings embrace GDP per capital and sovereign currency ratings. Relevant cultural variables and social richness are modeled by indices of corruption, economic freedom, political freedom and human development. Legal and political institutions can be assessed through measures of the rule of law, 12 core best practice standards for management of financial institutions, and other governance indicators.

The first Caux Round Table country ranking by SCA score was issued in 2005. Below are the country SCA rankings for 2009.

Sources of Country Rankings for Measurement of Social Capital Achievement Rankings

The following indexes were used to create each country's Social Capital Achievement raking. Countries that had 9 or fewer of the 14 indicators were not included in the overall ranking but are listed separately.

GDP(PPP)- Gross Domestic Product, PPP per capita
HD- United Nations Human Development Program's Human Development Index
FREE- Freedom House's Freedom Index
EF- Fraser Institute's Economic Freedom of the World
ESF- eStandard Forum's Compliance Summary Index
S&P- Standard and Poor's Long and Short Term Foreign Currency Issuer Ratings. Moody's- Local and Foreign Currency Governmental Bond Ratings.
VA- World Bank Governance Indicator- Voice and Accountability
PSAV- World Bank Governance Indicator- Political Stability Absence of Violence
GE- World Bank Governance Indicator- Government Effectiveness
RQ- World Bank Governance Indicator- Regulatory Quality
RL- World Bank Governance Indicator- Rule of Law
CC- World Bank Governance Indicator- Control of Corruption
CP- Transparency International's Corruption Perceptions Index

Additional details on the separate country rankings are:

GDP (PPP)- Gross Domestic Product Per Capita in Purchasing Power Parity – World Bank -2007 GDP per capita PPP involves the use of standardized international dollar price weights, which are applied to the quantities of final goods and services produced in a given economy.

HD- United Nations Development Program's Human Development Index 2006

Measures a country's achievements in three aspects of human development: longevity, knowledge, and standard of living.

FREE- Freedom House's Freedom Index

An evaluation of political rights and civil liberties by a standard emphasizing the importance of democracy and freedom. The dates for the most recent data for this index vary by country.

EF- Fraser Institute's Economic Freedom of the World 2006

Measures the degree of economic freedom present in five major areas: size of government: expenditures, taxes and enterprises; legal structure and security of property rights; sound money; freedom to trade with foreigners; and regulations of credit, labor and business.

ESF- eStandard Forum's Compliance Summary Index

This Index measures a country's implementation of certain standards for management of its national institutions for financial intermediation, including securities, insurance and banking, and government fiscal accountability.

World Bank Governance Indicators 2007: VA- Voice and Accountability, PSAV Political Stability Absence of Violence, GE- Government Effectiveness, RQ- Regulatory Quality, RL- Rule of Law, CC – Control of Corruption

These indicators attempt to capture how governments are selected, monitored, and replaced; a government's capacity to formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern them.

S & P- Standard and Poor's Long and Short Term Issue Credit Ratings 2008.

This number represents an average of the Long and Short Term Issue Credit Ratings. Issue Credit Ratings are based on capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation, the nature of and provisions of the obligation, and the protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

Moody's Local and Foreign Currency Governmental Bond Ratings 2009.

This number represents an average of the Local and Foreign Currency Government Bond Ratings. Local-Currency Government Bond Ratings reflect the government's capacity and willingness to generate local-currency revenue to repay its local-currency bonds on a timely basis. Foreign-Currency Government Bond Ratings reflect the government's capacity and willingness to mobilize foreign exchange to repay its foreign-currency denominated bonds on a timely basis.

CP- Transparency International's Corruption Perceptions Index 2008

Ranks countries in Terms of the degree to which corruption is perceived to exist among public officials and politicians.

The Path Towards Progress in Wealth Creation

A country's SCA score is caught in a static moment of assessment; the time scale of measurement is frozen and not dynamic. A country's current rating, therefore, is not necessarily predictive of future social capital achievement.

Comparisons of country rankings in 2005 and 2009 provide some insight into the dynamic element of social capital accumulation.

For example, Denmark moved from 15th to 1st place in the SCA rankings. The Netherlands dropped from 1st to 7th place. The United Kingdom dropped from 5th to 16th and the United States from 9th to 14th.

Norway, Luxembourg, New Zealand, Ireland, Germany and Austria moved up into the top rankings. Australia retained its relative position near the top of the rankings.

Did the drop for the United States and the United Kingdom precede (and, therefore possibly predict?) the 2008 meltdown in the financial sectors of those two economies? Norway, Luxembourg, New Zealand, Ireland, Germany and Austria, on the other hand, felt the financial crisis less severely.

For all its wealth in natural resources, the SCA of the Russian Federation placed it in company with Mali, Nicaragua, and Honduras.

In the 2009 SCA rankings, of those countries where there was ranking data available only on 9 or fewer indexes, five such countries are places of intense recent conflict: Iraq, Afghanistan, Somalia, the West Bank and Gaza, and Kosovo.

	Social Capital Achievement 2009																
Rank	Country	SCA	#	GDP PPP	HD	FREE	EF	ESF	VA	PSAV	GE	RQ	RL	CC	CP	S&P	Moody's
1	Denmark	0.83	14	0.017	0.95	1.00	0.78	0.70	0.81	0.69	0.94	0.89	0.89	0.98	0.93	0.99	1.00
2	Finland	0.81	14	0.016	0.95	1.00	0.77	0.55	0.80	0.79	0.89	0.83	0.87	1.02	0.90	0.99	1.00
3	New Zealand	0.81	14	0.013	0.94	1.00	0.83	0.51	0.80	0.75	0.88	0.85	0.88	0.97	0.93	0.96	1.00
4	Australia	0.81	14	0.016	0.97	1.00	0.80	0.69	0.77	0.67	0.89	0.84	0.86	0.91	0.87	0.99	1.00
5	Luxembourg	0.81	14	0.030	0.96	1.00	0.76	0.53	0.81	0.81	0.85	0.88	0.87	0.95	0.83	0.99	1.00
6	Norway	0.80	14	0.025	0.97	1.00	0.75	0.66	0.81	0.75	0.92	0.79	0.90	0.92	0.79	0.99	1.00
7	Netherlands	0.80	14	0.019	0.96	1.00	0.77	0.65	0.81	0.66	0.86	0.86	0.85	0.95	0.89	0.99	1.00
8	Switzerland	0.80	14	0.021	0.68	1.00	0.82	0.60	0.81	0.78	0.95	0.81	0.90	0.96	0.90	0.99	1.00
9	Ireland	0.80	14	0.018	0.96	1.00	0.79	0.71	0.78	0.73	0.83	0.87	0.85	0.85	0.77	0.99	1.00
10	Germany	0.78	14	0.016	0.94	1.00	0.76	0.63	0.78	0.69	0.84	0.80	0.86	0.86	0.79	0.99	1.00
11	Canada	0.77	14	0.168	0.97	1.00	0.81	0.54	0.77	0.70	0.37	0.82	0.87	0.92	0.87	0.99	1.00
12	Austria	0.77	14	0.018	0.95	1.00	0.77	0.58	0.78	0.75	0.85	0.82	0.88	0.90	0.81	0.69	1.00
13	Sweden	0.77	13	0.174		1.00	0.74	0.48	0.79	0.75	0.92	0.83	0.88	0.97	0.93	0.99	1.00
14	Singapore	0.76	14	0.231	0.92	0.50	0.86	0.47	0.41	0.73	0.98	0.87	0.86	0.94	0.92	0.99	1.00
15	United States	0.76	14	0.218	0.69	1.00	0.80	0.73	0.72	0.56	0.82	0.79	0.82	0.79	0.73	0.99	1.00
16	United Kingdom	0.76	14	0.161	0.70	1.00	0.81	0.32	0.78	0.61	0.85	0.87	0.85	0.88	0.77	0.99	1.00
17	France	0.75	14	0.160	0.96	1.00	0.72	0.66	0.75	0.60	0.76	0.73	0.76	0.76	0.69	0.99	1.00
18	Hong Kong, China (SAR)	0.75	14	0.209	0.94	0.64	0.89	0.51	0.62	0.71	0.86	0.88	0.78	0.82	0.81	0.92	0.90
19	Iceland	0.74	14	0.161	0.97	1.00	0.78		0.78	0.83	0.91	0.81	0.89	1.02	0.89	0.69	0.67
20	Belgium	0.73	14	0.165	0.95	1.00	0.72	0.61	0.79	0.65	0.37	0.80	0.80	0.79	0.73	0.92	0.95
21	Malta	0.73	13	0.100	0.89	1.00	0.75		0.74	0.76	0.76	0.76	0.81	0.74	0.58	0.79	0.81
22	Japan	0.73	14	0.164	0.96	0.93	0.75	0.44	0.69	0.70	0.76	0.71	0.78	0.74	0.73	0.89	0.93
23	Bahamas	0.73	11		0.85	1.00	0.72		0.71	0.66	0.37	0.70	0.73	0.77	0.00	0.76	0.71
24	Spain	0.72	14	0.146	0.95	1.00	0.74	0.59	0.71	0.51	0.70	0.73	0.72	0.73	0.65	0.92	1.00

25	Cyprus	0.71	13	0.125	0.91	1.00	0.74		0.72	0.60	0.77	0.76	0.69	0.66	0.64	0.83	0.86
26	Chile	0.71	14	0.060	0.87	1.00	0.81	0.54	0.70	0.61	0.74	0.79	0.73	0.77	0.69	0.86	0.79
27	Portugal	0.71	14	0.099	0.90	1.00	0.72	0.63	0.75	0.66	0.68	0.71	0.69	0.73	0.61	0.83	0.90
28	Slovenia	0.71	14	0.127	0.92	1.00	0.64	0.58	0.72	0.70	0.72	0.66	0.67	0.68	0.67	0.89	0.90
29	Estonia	0.70	14	0.094	0.87	1.00	0.79	0.54	0.71	0.64	0.74	0.80	0.70	0.69	0.66	0.79	0.81
30	Italy	0.67	14	0.142	0.95	1.00	0.72	0.67	0.72	0.59	0.57	0.66	0.59	0.59	0.48	0.83	0.90
31	Barbados	0.67	13	0.077	0.89	1.00	0.62		0.73	0.74	0.37	0.69	0.73	0.77	0.70	0.74	0.67
32	Slovakia	0.66	14	0.092	0.87	1.00	0.76	0.58	0.70	0.69	0.65	0.70	0.57	0.56	0.50	0.83	0.81
33	St. Lucia	0.66	10	0.045	0.77	1.00			0.74	0.63	0.67	0.65	0.67	0.72	0.71		

Rank	Country	SCA	#	GDP PPP	HD	FREE	EF	ESF	VA	PSAV	GE	RQ	RL	CC	CP	S&P	Moody's
34	Czech Republic	0.66	14	0.105	0.90	1.00	0.70	0.46	0.70	0.67	0.70	0.69	0.65	0.55	0.52	0.81	0.81
35	Hungary	0.66	14	0.082	0.88	1.00	0.75	0.67	0.72	0.63	0.64	0.73	0.65	0.59	0.51	0.69	0.71
36	Qatar	0.66	11		0.90	0.36			0.37	0.66	0.51	0.61	0.68	0.70	0.65	0.86	0.90
37	Saudi Arabia	0.65	13	0.109	0.84	0.21	2.75		0.18	0.38	0.46	0.48	0.55	0.48	0.35	0.86	0.81
38	Lithuania	0.65	14	0.082	0.87	1.00	0.74	0.57	0.69	0.66	0.66	0.72	0.60	0.53	0.46	0.73	0.76
39	Korea Rep. (South Korea)	0.65	14	0.118	0.93	0.93	0.74	0.33	0.63	0.59	0.75	0.68	0.66	0.57	0.56	0.81	0.76
40	Israel	0.65	14	0.123	0.93	0.93	0.66	0.50	0.66	0.26	0.74	0.71	0.65	0.66	0.60	0.83	0.81
41	Dominica	0.64	10	0.035	0.80	1.00			0.70	0.70	0.64	0.65	0.64	0.63	0.60		
42	Greece	0.64	13	0.154	0.95	0.93	0.70	0.53	0.69	0.59	0.60	0.67	0.63	0.56	0.47		0.81
43	Latvia	0.62	14	0.080	0.86	0.93	0.73	0.53	0.67	0.64	0.61	0.71	0.61	0.56	0.50	0.63	0.67
44	Uruguay	0.62	14	0.052	0.83	1.00	0.69	0.58	0.69	0.68	0.61	0.53	0.60	0.69	0.69	0.56	0.43
45	Mauritius	0.62	12	0.054	0.80	0.86	0.73		0.67	0.65	0.62	0.61	0.66	0.58	0.55		0.62
46	Costa Rica	0.61	13	0.051	0.85	1.00	0.76		0.68	0.67	0.58	0.60	0.59	0.58	0.51	0.61	0.52

47	Botswana	0.61	13	0.059	0.66	0.86	0.70		0.60	0.67	0.37	0.60	0.63	0.68	0.58	0.81	0.76
48	Poland	0.61	14	0.073	0.88	1.00	0.68	0.37	0.66	0.62	0.58	0.64	0.56	0.53	0.46	0.78	0.76
49	St. Vincent & the Grenadines	0.60	11	0.034	0.54	0.93			0.71	0.66	0.67	0.65	0.67	0.68	0.65		0.38
50	South Africa	0.59	14	0.045	0.67	0.86	0.70	0.47	0.65	0.54	0.64	0.60	0.53	0.56	0.49	0.78	0.71
51	Oman	0.58	13	0.094	0.84	0.36	0.73		0.29	0.65	0.58	0.63	0.65	0.62	0.55	0.79	0.76
52	Trinidad and Tobago	0.58	13	0.107	0.73	0.86	0.71		0.62	0.51	0.57	0.64	0.46	0.46	0.36	0.81	0.67
53	Croatia	0.57	14	0.072	0.86	0.86	0.64	0.49	0.59	0.60	0.61	0.59	0.51	0.50	0.44	0.69	0.60
54	Cape Verde	0.57	10	0.014	0.71	1.00			0.68	0.70	0.37	0.46	0.62	0.65	0.51		
55	Malaysia	0.57	14	0.064	0.82	0.57	0.67	0.45	0.39	0.54	0.71	0.61	0.61	0.54	0.51	0.79	0.71
56	Bahrain	0.57	13	0.163	0.90	0.43	0.73		0.34	0.44	0.37	0.68	0.63	0.62	0.54	0.79	0.76
57	Grenada	0.57	10	0.033	0.77	0.93			0.66	0.58	0.55	0.59	0.54	0.57	0.00	0.46	
58	Samoa	0.56	10	0.019	0.76	0.86			0.63	0.72	0.46	0.48	0.69	0.55	0.44		
59	Bulgaria	0.56	14	0.053	0.83	0.93	0.68	0.53	0.63	0.58	0.37	0.62	0.47	0.46	0.36	0.69	0.62
60	Panama	0.55	13	0.050	0.83	0.93	0.74		0.60	0.53	0.55	0.58	0.46	0.43	0.34	0.63	0.52
61	Romania	0.55	14	0.052	0.83	0.86	0.67	0.50	0.59	0.54	0.48	0.60	0.47	0.46	0.38	0.64	0.57
62	El Salvador	0.52	13	0.027	0.75	0.79	0.75		0.51	0.50	0.45	0.54	0.36	0.47	0.39	0.63	0.52
63	Suriname	0.51	12	0.036	0.96	0.86			0.57	0.55	0.49	0.42	0.45	0.45	0.36	0.54	0.38
64	Jordan	0.50	14	0.025	0.77	0.50	0.72	0.28	0.37	0.44	0.55	0.57	0.60	0.56	0.51	0.64	0.52
65	Mexico	0.50	14	0.060	0.84	0.79	0.70	0.48	0.50	0.39	0.53	0.58	0.38	0.43	0.36	0.36	0.67
66	Brazil	0.50	14	0.045	0.81	0.86	0.62	0.40	0.58	0.46	0.37	0.49	0.41	0.45	0.35	0.69	0.52
67	Seychelles	0.50	11	0.073	0.84	0.71			0.49	0.70	0.50	0.37	0.54	0.51	0.48	0.28	
68	Montenegro	0.50	13	0.049	0.82	0.71	0.70		0.54	0.45	0.46	0.45	0.44	0.41	0.34	0.63	0.48

Rank	Country	SCA	#	GDP PPP	HD	FREE	EF	ESF	VA	PSAV	GE	RQ	RL	CC	CP	S&P	Moody's
69	Macedonia (FYR)	0.50	12	0.040	0.81	0.71	0.64		0.53	0.42	0.44	0.52	0.41	0.44	0.36	0.64	
70	Jamaica	0.49	13	0.030	0.77	0.79	0.73		0.62	0.50	0.52	0.56	0.37	0.40	0.31	0.46	0.33
71	Ghana	0.49	13	0.006	0.53	0.93	0.68	0.25	0.60	0.54	0.49	0.50	0.48	0.47	0.39	0.53	
72	Benin	0.49	13	0.006	0.46	0.86	0.59		0.56	0.58	0.37	0.41	0.39	0.40	0.31	0.50	0.98
73	Belize	0.49	13	0.029	0.77	0.93	0.64		0.64	0.55	0.37	0.44	0.50	0.45	0.29	0.50	0.29
74	Peru	0.49	14	0.034	0.79	0.79	0.72	0.38	0.50	0.33	0.41	0.54	0.36	0.42	0.36	0.69	0.55
75	Mongolia	0.48	13	0.015	0.72	0.86	0.72		0.53	0.63	0.36	0.43	0.42	0.38	0.30	0.56	0.38
76	India	0.48	14	0.013	0.61	0.79	0.66	0.38	0.58	0.30	0.51	0.46	0.52	0.42	0.34	0.66	0.52
77	Serbia	0.48	12	0.049	0.82	0.79	0.62		0.54	0.35	0.43	0.43	0.39	0.42	0.34	0.56	
78	Colombia	0.47	14	0.032	0.79	0.71	0.58	0.40	0.44	0.17	0.51	0.54	0.39	0.44	0.38	0.68	0.55
79	Georgia	0.47	12	0.023	0.76	0.57	0.73		0.46	0.36	0.47	0.54	0.41	0.42	0.39	0.50	
80	Turkey	0.47	14	0.059	0.49	0.71	0.64	0.31	0.46	0.34	0.55	0.55	0.50	0.51	0.46	0.58	0.43
81	Albania	0.47	12	0.031	0.81	0.71	0.69		0.51	0.45	0.42	0.52	0.36	0.39	0.34		0.38
82	Argentina	0.46	14	0.062	0.86	0.86	0.59	0.35	0.57	0.53	0.47	0.35	0.40	0.41	0.29	0.46	0.29
83	Ukraine	0.46	13	0.032	0.95	0.79	0.56		0.48	0.53	0.38	0.42	0.36	0.35	0.25	0.45	0.38
84	Guyana	0.45	11	0.014	0.73	0.79	0.59		0.51	0.44	0.48	0.41	0.39	0.37	0.26		
85	Lesotho	0.45	11	0.009	0.50	0.79	0.65		0.52	0.51	0.42	0.36	0.43	0.46	0.32		
86	Morocco	0.45	14	0.019	0.65	0.50	0.62	0.33	0.38	0.40	0.49	0.48	0.47	0.45	0.35	0.66	0.52
87	Kazakhstan	0.45	14	0.046	0.81	0.36	0.72	0.51	0.29	0.57	0.38	0.41	0.33	0.32	0.22	0.68	0.64
88	Armenia	0.45	12	0.028	0.78	0.50	0.68		0.38	0.50	0.44	0.55	0.40	0.36	0.29		0.48
89	Bhutan	0.45	10	0.024	0.61	0.36			0.32	0.63	0.37	0.36	0.60	0.68	0.52		
90	Senegal	0.45	12	0.008	0.50	0.79	0.57		0.50	0.46	0.43	0.43	0.42	0.40	0.34	0.53	

Rank	Country	SCA	#	GDP PPP	HD	FREE	EF	ESF	VA	PSAV	GE	RQ	RL	CC	CP	S&P	Moody's
91	Dominican Republic	0.45	14	0.030	0.77	0.86	0.63	0.15	0.54	0.52	0.41	0.47	0.39	0.37	0.30	0.50	0.33
92	Madagascar	0.45	12	0.004	0.53	0.64	0.60		0.49	0.49	0.44	0.46	0.43	0.47	0.34	0.46	
93	Thailand	0.45	14	0.037	0.48	0.43	0.70	0.19	0.38	0.29	0.53	0.52	0.49	0.41	0.35	0.76	0.67
94	China	0.44	14	0.026	0.76	0.21	0.63	0.23	0.16	0.43	0.53	0.45	0.41	0.37	0.36	0.83	0.81
95	Sao Tome and Principe	0.44	10	0.008	0.64	0.86			0.59	0.56	0.34	0.35	0.42	0.40	0.27		
96	Phillippines	0.44	14	0.018	0.75	0.64	0.67	0.53	0.47	0.22	0.50	0.47	0.38	0.34	0.23	0.59	0.38
97	Bosnia and Herzegovina	0.44	12	0.037	0.80	0.64	0.60		0.53	0.39	0.37	0.44	0.40	0.41	0.32		0.33
98	Indonesia	0.44	14	0.017	0.73	0.79	0.61	0.38	0.47	0.27	0.42	0.44	0.36	0.36	0.26	0.59	0.43
99	Mali	0.44	11	0.005	0.39	0.79	0.61		0.55	0.47	0.39	0.43	0.43	0.41	0.31		
100	Russian Federation	0.43	14	0.068	0.81	0.36	0.61	0.48	0.30	0.35	0.42	0.41	0.31	0.32	0.21	0.71	0.67
101	Nicaragua	0.43	11	0.012	0.70	0.71	0.70		0.48	0.45	0.32	0.42	0.33	0.34	0.25		
102	Tonga	0.43	10	0.017	0.76	0.57			0.48	0.58	0.38	0.35	0.60	0.30	0.24		
103	Tanzania	0.43	11	0.006	0.48	0.64	0.65		0.47	0.49	0.42	0.43	0.41	0.41	0.30		
104	Uganda	0.43	11	0.004	0.94	0.50	0.68		0.41	0.27	0.42	0.46	0.39	0.35	0.26		
105	Tunisia	0.42	12	0.034		0.29	0.64		0.26	0.52	0.59	0.53	0.56	0.52	0.44	0.74	0.62
106	Honduras	0.42	14	0.017	0.71	0.71	0.74	0.22	0.45	0.42	0.39	0.46	0.33	0.36	0.26	0.53	0.33
107	Zambia	0.42	10	0.006		0.64	0.71		0.45	0.55	0.38	0.40	0.37	0.38	0.28		
108	Guatemala	0.42	14	0.021	0.70	0.64	0.71	0.08	0.44	0.35	0.38	0.47	0.28	0.35	0.31	0.61	0.50
109	Sri Lanka	0.42	13	0.020	0.74	0.57	0.61	0.20	0.42	0.11	0.44	0.48	0.51	0.47	0.32	0.51	
110	Egypt	0.42	14	0.026	0.72	0.36	0.67	0.31	0.25	0.35	0.41	0.44	0.47	0.38	0.28	0.64	0.52
111	Gabon	0.42	12	0.062	0.73	0.43	0.54		0.33	0.54	0.37	0.40	0.38	0.33	0.31	0.56	

112	Fiji	0.41	13	0.021	0.74	0.43	0.64		0.40	0.52	0.40	0.41	0.43	0.41	0.00	0.51	0.48
113	Moldova	0.41	12	0.014	0.72	0.64	0.65		0.42	0.46	0.33	0.44	0.37	0.36	0.29		0.24
114	Burkina Faso	0.41	12	0.005	0.37	0.57	0.56		0.44	0.52	0.37	0.43	0.40	0.42	0.35	0.50	
115	Paraguay	0.41	13	0.021	0.75	0.71	0.64		0.43	0.40	0.33	0.39	0.31	0.31	0.24	0.50	0.29
116	Sierra Leone	0.41	11	0.003	0.97	0.71	0.57		0.43	0.44	0.28	0.30	0.27	0.30	0.19		
117	Maldives	0.41	10	0.024	0.75	0.36			0.32	0.52	0.46	0.49	0.50	0.34	0.28		
118	Papua New Guinea	0.40	13	0.009	0.52	0.71	0.64		0.52	0.35	0.35	0.40	0.33	0.29	0.20	0.54	0.38
119	Mauritania	0.40	11	0.010	0.56	0.57	0.63		0.35	0.43	0.36	0.43	0.38	0.40	0.28		
120	Solomon Islands	0.40	10	0.008	0.59	0.64			0.53	0.58	0.34	0.27	0.33	0.37	0.29		
121	Malawi	0.40	11	0.004	0.46	0.57	0.54		0.45	0.50	0.38	0.40	0.42	0.35	0.28		
122	Bolivia	0.39	13	0.020	0.72	0.71	0.64	0.08	0.50	0.30	0.37	0.26	0.31	0.40	0.30	0.46	
123	Liberia	0.38	10	0.001	0.97	0.64			0.43	0.27	0.26	0.25	0.29	0.42	0.24		
124	Kenya	0.37	13	0.007	0.53	0.64	0.70	0.07	0.49	0.28	0.38	0.46	0.30	0.31	0.21	0.50	
125	Viet Nam	0.37	14	0.012	0.57	0.29	0.59	0.12	0.18	0.56	0.42	0.41	0.39	0.36	0.27	0.61	0.43
126	Azerbaijan	0.37	12	0.030	0.76	0.36	0.57		0.27	0.36	0.37	0.40	0.33	0.29	0.19		0.52
127	Swaziland	0.37	10	0.023	0.74	0.29			0.28	0.52	0.36	0.37	0.35	0.41	0.36		
128	Kyrgyz Rep.	0.37	11	0.009	0.69	0.50	0.70		0.37	0.28	0.35	0.42	0.26	0.28	0.18		
129	Niger	0.37	13	0.003	0.37	0.64	0.47		0.42	0.39	0.33	0.39	0.32	0.32	0.28	0.58	0.26
130	Cuba	0.37	10		0.86	0.14			0.11	0.52	0.38	0.17	0.34	0.46	0.43		0.24
131	Rwanda	0.36	11	0.004	0.44	0.36	0.52		0.25	0.46	0.43	0.37	0.37	0.48	0.30		

Rank	Country	SCA	#	GDP PPP	HD	FREE	EF	ESF	VA	PSAV	GE	RQ	RL	CC	CP	S&P	Moody's
132	Gambia, The	0.35	10	0.005	0.47	0.50			0.31	0.47	0.36	0.42	0.46	0.34	0.19		
133	Togo	0.35	11	0.004	0.83	0.43	0.53		0.27	0.40	0.20	0.30	0.31	0.30	0.27		
134	Algeria	0.35	12	0.036	0.75	0.36	0.56	0.09	0.30	0.26	0.40	0.37	0.36	0.41	0.32		
135	Djibouti	0.35	10	0.011	0.51	0.43			0.29	0.49	0.30	0.34	0.40	0.40	0.30		
136	Belarus	0.34	13	0.051	0.82	0.21			0.14	0.54	0.37	0.19	0.28	0.32	0.20	0.56	0.38
137	Cambodia	0.34	12	0.008	0.58	0.36			0.33	0.41	0.37	0.40	0.29	0.28	0.18	0.53	0.33
138	Central African Republic	0.34	11	0.004	0.97	0.43	0.50		0.31	0.14	0.37	0.25	0.20	0.32	0.20		
139	Nepal	0.33	11	0.005	0.53	0.50	0.54		0.32	0.07	0.34	0.37	0.37	0.37	0.27		
140	Libyan Arab Jamahiriya	0.33	10	0.070	0.84	0.14			0.11	0.59	0.29	0.30	0.38	0.33	0.26		
141	Ecuador	0.33	14	0.033	0.81	0.71	0.59	0.23	0.45	0.32	0.29	0.28	0.29	0.33	0.20	0.07	0.05
142	Lebanon	0.33	14	0.048	0.80	0.50		0.13	0.41	0.08	0.38	0.46	0.37	0.37	0.30	0.46	0.29
143	Pakistan	0.33	14	0.012	0.56	0.36	0.61	0.35	0.29	0.01	0.38	0.39	0.31	0.33	0.25	0.43	0.29
144	Cameroon	0.33	13	0.010	0.51	0.29	0.58	0.07	0.31	0.42	0.37	0.36	0.28	0.31	0.23	0.50	
145	Comoros	0.33	10	0.005	0.57	0.57			0.41	0.42	0.14	0.21	0.31	0.36	0.25		
146	Bangladesh	0.33	12	0.006	0.52	0.50	0.59	0.15	0.37	0.21	0.37	0.33	0.34	0.29	0.21		
147	Ethiopia	0.32	11	0.004	0.39	0.43	0.56		0.26	0.16	0.41	0.32	0.39	0.36	0.26		
148	Guinea-Bissau	0.32	11	0.002	0.38	0.57	0.50		0.40	0.42	0.26	0.28	0.23	0.28	0.19		
149	Haiti	0.31	11	0.005	0.52	0.50	0.62		0.35	0.23	0.23	0.33	0.22	0.24	0.14		
150	Nigeria	0.31	12	0.008	0.50	0.57	0.59	0.08	0.39	0.09	0.31	0.32	0.26	0.30	0.27		

Rank	Country	SCA	#	GDP PPP	HD	FREE	EF	ESF	VA	PSAV	GE	RQ	RL	CC	CP	S&P	Moody's
151	Burundi	0.30	11	0.002	0.38	0.50	0.52		0.34	0.22	0.37	0.26	0.27	0.29	0.19		
152	Congo, Rep.	0.30	11	0.013	0.62	0.36	0.46		0.28	0.33	0.23	0.26	0.25	0.29	0.19		
153	Venezuela	0.30	13	0.057		0.57	0.48	0.08	0.38	0.25	0.33	0.19	0.21	0.29	0.19	0.56	0.36
154	Tajikistan	0.30	11	0.008		0.36	0.76	0.16	0.25	0.33	0.31	0.30	0.27	0.33	0.20		
155	Angola	0.29	11	0.021	0.48	0.36	0.41		0.28	0.41	0.27	0.30	0.23	0.28	0.19		
156	Congo, Dem. Rep.	0.28	11	0.001	0.97	0.36	0.53		0.21	0.05	0.16	0.23	0.17	0.25	0.17		
157	Syrian Arab Republic	0.28	12	0.021	0.50	0.21	0.55	0.04	0.15	0.38	0.32	0.26	0.39	0.32	0.21		
158	Equatorial Guinea	0.27	10	0.101	0.72	0.21			0.12	0.47	0.23	0.23	0.27	0.23	0.17		
159	Turkmenistan	0.26	11	0.021	0.79	0.14			0.09	0.48	0.23	0.10	0.23	0.26	0.18		0.33
160	Côte d'Ivoire	0.26	11	0.008	0.43	0.29	0.60		0.25	0.08	0.23	0.30	0.19	0.28	0.20		
161	Uzbekistan	0.25	10	0.012	0.72	0.14			0.12	0.22	0.35	0.21	0.29	0.31	0.18		
162	Chad	0.25	11	0.006	0.39	0.21	0.51		0.21	0.11	0.37	0.27	0.22	0.26	0.16		
163	Sudan	0.24	10	0.009	0.96	0.14			0.15	0.04	0.26	0.25	0.21	0.25	0.16		
164	Lao People's Dem. Rep.	0.24	10	0.009	0.61	0.21			0.17		0.34	0.28	0.31	0.30	0.20		
165	Eritrea	0.23	10	0.002	0.44	0.21			0.07	0.29	0.24	0.11	0.28	0.38	0.26		
166	Myanmar (Burma)	0.22	10		0.59	0.14	0.42		0.07	0.26	0.17	0.05	0.22	0.21	0.13		
167	Guinea	0.22	10	0.005	0.42	0.36			0.25	0.10	0.21	0.27	0.21	0.23	0.16		

	Countries with Less than 9 Data Points																
168	Isle of Man	0.99	2													0.99	1.00
169	Liechtenstein	0.83	8			1.00			0.76	0.77	0.87	0.77	0.75	0.75		0.99	
170	Andorra	0.81	8			1.00			0.77	0.77	0.82	0.77	0.74	0.76		0.86	
171	Aruba	0.73	7						0.70	0.78	0.76	0.67	0.68	0.76		0.76	
172	San Marino	0.72	5			1.00			0.74	0.72	0.48		0.68				
173	Palau	0.71	5			1.00			0.74	0.72	0.40		0.68				
174	Monaco	0.70	5			0.93			0.67	0.71	0.53		0.68				
175	Cayman Islands	0.70	7						0.66	0.74	0.37	0.77	0.73	0.76			0.86
176	Netherlands Antilles	0.68	6						0.61	0.74	0.65	0.67	0.68	0.76			
177	American Samoa	0.64	6						0.70	0.70	0.60	0.57	0.73	0.57			
178	Guam	0.64	6						0.70	0.59	0.54	0.62	0.73	0.66			
179	Bermuda	0.64	8						0.70	0.66	0.37	0.77	0.68	0.76		0.89	0.29
180	Antigua and Barbuda	0.63	9	0.084	0.83	0.86			0.62	0.66	0.59	0.62	0.70	0.76			
181	St. Kitts and Nevis	0.63	9	0.063	0.53	1.00			0.72	0.69	0.64	0.63	0.67	0.68			
182	Puerto Rico	0.62	8			1.00			0.75	0.66	0.63	0.67	0.62	0.59	0.06		
183	Marshall Islands	0.57	7			1.00			0.74	0.72	0.33	0.32	0.50	0.38			
184	Macao, China	0.57	8						0.52	0.58	0.70	0.67	0.57	0.60	0.05		0.86
185	Namibia	0.54	9	0.024		1.00			0.62	0.68	0.53	0.50	0.52	0.54	0.45		

186	Micronesia, Fed. Sts	0.54	8	0.002		1.00			0.70	0.72	0.41	0.42	0.65	0.41			
187	Brunei Darussalam	0.52	9	0.237	0.92	0.36			0.28	0.74	0.37	0.70	0.56	0.55			
188	Kiribati	0.51	9	0.011		1.00			0.65	0.77	0.39	0.28	0.67	0.52	0.31		
189	Vanuatu	0.50	9	0.016		0.86			0.59	0.77	0.43	0.40	0.63	0.54	0.29		
190	New Caledonia	0.46	5							0.49	0.51	0.56	0.44	0.31			
191	Mozambique	0.40	2	0.000	0.37	0.71	0.577		0.49	0.57	0.42	0.40	0.36	0.38		0.53	
192	West Bank and Gaza	0.32	8		0.73	0.36			0.24	0.09	0.25	0.22	0.33	0.35			
193	Kosovo	0.30	5	0.024					0.37		0.43		0.33	0.35			
194	Yemen	0.28	9	0.010		0.43			0.29	0.20	0.30	0.36	0.31	0.38	0.23		
195	Timor-Leste	0.23	8	0.001					0.48	0.28	0.32	0.18	0.24	0.32			
196	Zimbabwe	0.20	9			0.21	0.27		0.19	0.24	0.20	0.05	0.17	0.25	0.18		
197	Korea Dem. Rep. (North Korea)	0.19	7			0.14			0.04	0.57	0.08	0.05	0.29	0.16			
198	Afghanistan	0.18	8			0.43			0.27	0.03	0.23	0.15	0.10	0.19			
199	Iraq	0.15	8			0.29			0.24	-0.1	0.16	0.23	0.12	0.22			

Testimony of Mr. Stephen B. Young to the **United Nations Economic and Social Council**

The Convention of Independent Financial Advisors with general consultative status with the ECOSOC and the Caux Round Table endorse your recommendation that "Rules of the Road" are needed for collective action to reduce inequalities of income and wealth between and within countries.

We would like to suggest three such "rules".
First: to implement the SDGs, especially Goal 10 on the reduction of inequalities, massive wealth creation will be needed. Consider just SDG 1 – the reduction of poverty by 2030. How many jobs must be created to reduce poverty around the world? 100 million? 200 million? 500 million? Who will create them?

What amount of new investment will be needed as the working capital to finance such employment initially? Who will have the money to buy the goods and services to be produced by all these new workers across the global economy and so finance their employment on a sustainable basis?

Under today's realities, such new investment will not happen. There is too much public and private debt; there is too little real economic growth; trillions of dollar value in liquidity has gone into supporting the prices of financial assets and not into investment in plant, equipment, and jobs; low - much less negative - interest rates will not attract savings to be channeled by financial markets into new production.

Second, the poor and the middle class need private goods which they can convert to personal assets. It is not at all clear how much the provision of public goods (tax funded entitlements) can contribute to such long term capital accumulation among the poor and the middle class.
Third, the poor everywhere must be empowered with ownership of capital assets.

These assets in the first place are human capital and social capital (including moral capital and good governance) which lead to the acquisition of financial capital and political capital. We also must not forget that rural people and those dependent on agriculture for their prosperity need high quality natural capital.

TRANSPARENCY AND ACCOUNTABILITY **IN CROSS-SECTOR PARTNERSHIPS**

Stephen B. Young
Global Executive Director

The new Sustainable Development Goals (SDGs), in the main, will be most effectively achieved through cross-sector collaboration, quasi-partnerships in effect, among units of government (which provide public goods), private entrepreneurial firms (which provide private goods of income, consumption, and wealth), and civil society organizations (which specially promote value-inspired outcomes).

As foreshadowed by the centuries old evolution of the law of partnerships and fiduciary undertakings, the success of such needed cross-sector collaborations will turn, to a large extent, on the fidelity of the collaborators to high standards of transparency and accountability.

Transparency and accountability are the ethical, other-regarding, obligations placed by the law on fiduciaries. Fiduciaries at law comprise trustees, partners, and agents. Each such position (or private office of trust and profit) demands faithful stewardship to seek the well-being of beneficiaries who are dependent for their happiness on the skill and determination of their respective fiduciary.

Fiduciary duties of transparency and accountability are mainstays of modern business and corporate law keeping the sails of enterprise trim and taut for sure navigation and more speed through the water.

For example, all employees of businesses, governments, and NGOs are, at law, agents of their employers. They have fiduciary duties to the principals who employee them. Public employees are, in addition, servants of the public good; trustees it is said of the common weal. They therefore work under two sets of fiduciary obligations.

Under corporate law statues, members of boards of directors are agents and fiduciaries for those who have invested capital in the company. Professionals such as lawyers, doctors, and accountants also can be held to standards of thoughtfulness and solicitude for their clients similar to those imposed on other fiduciaries.

Moreover, under the Common Law of the England, also in the various state jurisdictions comprising the United States of America, fiduciary obligations have been and will be imposed through the judicial creation of “constructive trusts” placed upon those who have entered into informal relationships of reliance and confidence but who then took unfair personal advantage of their powers to the harm of those dependent upon their good faith.

Even in the arms-length arrangements under the law of contract, where good faith reliance has been placed on the representations and actions of one party, a disappointed party may be given judicial relief to avoid suffering harmful consequences from abuse of that reliance.

Why has the law so extensively provided for fiduciary duties where mutual dependency has been the basis of a relationship?

Precisely to encourage collaboration and mutual engagement.

If collaboration and cooperation were always undertaken by those venturing to work with others left exposed to maximum risk of disappointment and exploitation, there would be more alienation and selfish conniving in human civilization and less achievement and communal felicity.

To recollect the admonition of Thomas Hobbes, without enforcement of fiduciary duties, our lives together would be more realistically “solitary, poor, nasty, brutish and short.”

Fiduciary Duties

Fiduciary duties are twofold: a duty of loyalty to the beneficiary and a duty of taking due care to look after diligently the best interests of the beneficiary.

Fiduciary duties are the hallmark of human civilization.

In ancient China, Confucius advocated fiduciary responsibility. His vocabulary, however, used different concepts. He spoke of living up to the responsibility of a “name” (*ming*), a social position of power. One of his famous sayings was that the *“lord should lord; the minister should minister; the father should father; and the son should son.”* Each office – being a lord, a minister, a father, a son, a wife, a daughter, a soldier, etc. – implied that its holder would live up to the requirements of that “name”. Duties came with the “name”. Under hi8s ethics, people in all occupations and walks of life were held accountable for living up to their respective duties.

Qur'an provides all of us with excellent guidance that we, as individual persons, both men and women, are born into the status of *Khalifa*, or "vice regent", of God to care and tend his creation so that it may flourish. (see Surah 2:30). In addition, Qur'an teaches that all that we have we hold in trust from God – as an *amanah*. (see Surah 23:8, 23:10-11) We are, therefore, accountable to God for our use – good or bad, worthy or abusive - of what we have from him. We are fiduciaries as human persons. We cannot hide our deeds and we will be held accountable for them.

In Buddhism, the Buddha recommended following the noble eightfold path of right view, speech, action, livelihood, effort, concentration, and mindfulness. Acting in this world according to these outward-looking standards of conduct has the impressive effect of making us good fiduciaries where our accountability arises through the actions of karma and nothing about our conduct is protectively hidden away.

In the Judeo-Christian tradition, the Biblical Book of Ezekiel has the Lord God of that tradition say: *"Son of man, prophesy against the shepherds of Israel: … Woe to you shepherds of Israel who only take care of yourselves! Should not shepherds take care of the flock? You eat the curds, clothe yourselves with the wool and slaughter the choice animals, but you do not take care of the flock. You have not strengthened the weak or healed the sick or bound up the injured. You have not brought back the strays or searched for the lost. You have ruled them harshly and brutally. So they were scattered because there was no shepherd, and when they were scattered they became food for all the wild animals. My sheep wandered over all the mountains and on every high hill. They were scattered over the whole earth, and no one searched or looked for them. … because my flock lacks a shepherd and so has been plundered and has become food for all the wild animals, and because my shepherds did not search for my flock but cared for themselves rather than for my flock, therefore … I am against the shepherds and will hold them accountable for my flock. I will remove them from tending the flock so that the shepherds can no longer feed themselves. I will rescue my flock from their mouths, and it will no longer be food for them."* (Ezekiel 34)

Wherever there is interdependency, there should be fiduciary responsibility, even in informal relationships of casually promised or merely de facto joint commitments or loosely-structured collaborations.

That to govern imposes an ethical requirement along fiduciary lines that we are to govern well and justly was understood as a universal norm by Edmund Burke when he introduced to the British House of Lords the impeachment of Warren Hastings. As governor of India, Hastings had acted under crown authority given by corporate charter to the British East India Company. The charges of impeachment asserted that he had abused his office.

On Fed 19, 1788 before the House of Lords Burke summarized the articles of impeachment against Hastings as follows:

I impeach Warren Hastings, Esquire, of high crimes and misdemeanors.

I impeach him in the name of the Commons of Great Britain in Parliament assembled, whose parliamentary trust he has betrayed.

I impeach him in the name of all the Commons of Great Britain, whose national character he has dishonored.

I impeach him in the name of the people of India, whose laws, rights and liberties he has subverted; whose properties he has destroyed; whose country he has laid waste and desolate.

I impeach him in the name and by virtue of those eternal laws of justice which he has violated.

I impeach him in the name of human nature itself, which he has cuelly outraged, injured and oppressed, in both sexes, in every age, rank, situation, and condition of life.

As we approach our global challenges in the 21st century, the pull of inter-personal responsibility cannot be ignored. Both the SDGs and last December's inter-governmental agreements on climate change presume mutual cooperation and collaboration as a norm of approved conduct. We now have good public policy reasons to resuscitate a robust belief in the moral sense as a practical compass for humankind.

We should not overlook either the ethical framework of the contemporary and most germane international law doctrine of the Responsibility to Protect. That set of expectations for the use of sovereign authority expressly presumes that government is a trust for the betterment of those living under any sovereign authority as well as their progeny.

The 2001 Report of the *International Commission on Intervention and State Sovereignty* asserted that, under the UN Charter, sovereignty is dutiful "responsibility" so that 1) state authorities are responsible for protecting the safety and lives of citizens and promotion of their welfare; 2) national political authorities are responsible to citizens, and 3) agents of the state are accountable for their acts of commission and omission.

Under Article 62 (2) of the United Nation's charter, the ECOSOC is called upon to "make recommendations for the purpose of promoting respect for, and observance of, human rights and fundamental freedoms for all." In this work the ECOSOC must necessarily draw to the attention of member states their fiduciary responsibilities to provide for those under their authority the benefits of enjoying a full range of personal rights and entitlements.

The United Nations Charter provided for a trusteeship system which under Article 76 applied fiduciary standards to those governments given express trusteeship authority over certain non-self-governing territories. In a direct extension of that trusteeship concept, an interim UN administration was agreed to by all relevant parties to end the war in Cambodia among different claimants to sovereign authority.

Fiduciary duties are thus material standards of conduct in our time from the perspective of international law.

Fiduciary duties provide the substance to successful civilization. Where there is to be reliance, there must be trust. Otherwise, there will be no reliance and no enhancement of social capital and win/win outcomes.

Notions of fiduciary advantages are present in the game of prisoner's dilemma. Acting in part as a steward for both prisoners under duress brings about the best outcome for each individual player. Betrayal of the other leads to the worst outcome for both. If any similar dependency on the decisions of another is to be of benefit to both sides of such a relationship, each side must be held to duty vis-à-vis the other. Given the power each has over the other, each is a steward for the other and for their collective good or bad fortune.

Other phrases long associated with such restrained self-interest have been "enlightened self-interest" and "self-interest considered upon the whole." From this perspective self-interest becomes "enlightened" when considering upon the whole acts of loyalty and due care for others. Choosing civilization is the assumption of role responsibilities and their good faith execution to the best of our abilities. Transparency and accountability naturally result from that noble assumption of power constrained by obligation.

At all times, but especially since the industrial revolution with its factory system demanding specialization of function and division of labor, collaboration and interdependencies have made civilized life possible. Especially today as we seek to achieve the SDGs, no one person or firm can be both fully autonomous, standing apart from its culture and society, and yet still be prosperous. We are today always dependent on others for our well-being: our food, our health, our employment, our entertainment, even our happiness.

To enjoy the fulsome and robust collaboration necessary for the achievement of the SDGs, fiduciary standards of transparency and accountability must be set forth and enforced.

Most unwisely, in my view, contemporary professional schools of law, business, and public administration overlook the teaching of fiduciary duties. Thus, the professionals in business and government charged in the first place with responsibility for implementing the SDGs collectively suffer from a shortage of good social capital. In the main, our contemporary stocks of social capital do not encourage us to welcome the constraints of being transparent and accountable. Rather, we are more often pulled by the ego-centric advantages of hiding the truth from others and avoiding concern for their welfare. The professional norms of law, business administration, and public administration offer us inadequate guidance or admonition to firmly turn us away from an elitist selfishness and a corresponding keenness to exploit the vulnerability of those who fall under our power.

We can without regret say that the substance of fiduciary undertakings, a common ethical thread running through many civilizations, religions, and cultures, arises from a kind of natural law, a requirement inherent in the way of human socialization. The classical point of reference for fiduciary standards of loyalty and due care is the assertion that we as humans are endowed with a moral sense. However, the exact degree of development of that moral capacity within each of us and within our various cultures varies from person to person and culture to culture.

With some the capacity for good stewardship is high; with others it is low.

In the literature of ethics, four outstanding moral sense theorists were Aristotle, Mencius, Cicero, and Adam Smith. Post-enlightenment European thinkers, however, such as Karl Marx, Friedrich Nietzsche, Herbert Spencer, and Sigmund Freud, were dismissive of the importance of the moral sense and so of the possibility that fiduciary norms and standards could do much to improve the outcomes of human sociability.

The SDGs define outcomes which have public value. Their implementation implies delivering upon a public trust of some sort. They are inconsistent as aspirations with the childish and willful self-seeking associated with Social Darwinism and other modern schemes of power as dominion for the self without regard for community.

The aspirational goals and objectives of the SDGs can be easily considered as public goods which bring "free rider" benefits to many at the same time. In addition, some of the SDGs contemplate enhanced provision of private goods which can be appropriated by individuals, goods such as education, health, employment. But since the provision of such private goods enhances social justice and reduces suffering and alienation, there is public benefit attached to those goods as well. Collaborations to achieve the SDGs, therefore, will implicate public goods in some cases and private goods in other circumstances. There will, third, be some collaborations which will bled public and private goods into multifaceted goods and services of mixed character. Cross-sector collaboration lends itself graciously to the delivery of such multifaceted goods and services.

Wherever public values and public goods are implicated, a presumption of serving a public trust arises calling for transparency and accountability as fundamental requirements of such service.

Moreover where private well-being will gain or suffer according to the thoughtful or careless actions of others empowered in relevant ways, those others too assume fiduciary undertakings calling for transparency and accountability.

Standards for Expected Performance in Joint and Collaborative Ventures

Standards of conduct for organizations in each sector engaged in collaborations – express or implied - set forth valid expectations for behavior. The roles and responsibilities for government agencies, private companies and NGOs are different as each has its own special competence, on which the other two sectors must depend.

The standards most applicable to joint and collaborative ventures in support of the SDGs are those allocations of role responsibility among the partners, each one acting as agent for the others as well as for the success of the whole enterprise. As with most contractual undertakings (including agency and partnership sharing of responsibilities justified by mutual benefit and giving rise to mutual dependencies) it is wise if the respective obligations of the parties are made express in writing.

Transparency among the collaborators then applies to those facts which are material to the ability of each partner to achieve its expected contribution to the joint venture. As has been the general practice in disputes between fiduciaries and beneficiaries, the fiduciary deemed selfish or incorrigible may not hide such facts and must reveal them to interested parties.

Agreement on standards provides an authoritative text, a *langua-franca* for participants in cross-sector collaborations and their respected stakeholders, which some students of cross-sector collaboration find instrumental to the success of the partnership.

The second obligation placed on every fiduciary is to take due care of the interests of intended beneficiaries. In a cross-sector collaboration, each participant is an intended beneficiary of the work of the other participants and those to be served by the collaboration entire are the intended beneficiaries of all participants, giving rise to many vectors of fiduciary responsibility.

Due care is a general standard which is objective as it considers the material outcomes experienced by the beneficiary, not the subjective motivations of the fiduciary. The quality of care rendered by the fiduciary is to be seen from the point of view of the beneficiary. With respect to the separation of functions among the various agents in joint and collaborative ventures, set goals and objectives can serve as the metrics for success or failure in serving the ends of the joint undertaking. Taking due care then becomes a process of being sensible and rational about how, practically, to best achieve the stated objectives. The goals are not only outcome objectives, but shape the nature of the care expected from the responsibility parties. They shape arguments about accountability: were the results acceptable or were they lacking in quality/quantity? Accountable parties serve under a burden of having to answer for what they did and did not do in the execution of their trusts and agencies. If they have acted with due care, they will carry the argument that they have indeed made their accounts good.

In any such discussions of accountability, the rule of law most often applied to business fiduciary undertakings – the so-called business judgment rule – should be considered favorably. That rule provides for freedom of judgment over a zone of possible actions which may all be considered reasonable and prudent under the circumstances. The duty of due care is met if the fiduciary uses good prudent judgment in deciding upon courses of action even if the results turn out to be less than wanted or expected. The fiduciary is not a guarantor of outcomes, being held only to the commitment to make good faith efforts and non-negligent application of reason and consideration.

My colleagues at the University of Minnesota have recommended the following steps to increase realization of intended outcomes from cross-sector collaborations:

- Make sure at the start that collaboration will indeed create a good that is *prima facie* greater than the sum of separate, independent efforts;
- Be vigilant to the reality that collaborations are complex, dynamic, multilevel action systems;
- Use design strategies: start with ends in mind and build a network structure biased in favor of achieving such ends;
- Involve committed sponsors, champions, and facilitators;
- Use inclusivity as the mode of action;
- Adopt flexible and modular authority relationships that can adjust over the life cycle of the collaboration;

(John M. Bryson, Barbara Crosby, Melissa Stone, *Designing and Implementing Cross-Sector Collaborations: Needed and Challenging, Public Administration Review*, Vol 75, Sept/Oct 2015)

In addition to formal arrangements for cross-sector collaboration in the nature of joint venture contracts and letters of understanding, such collaboration to achieve the SDGs can have an informal character as well. Best practices in enhancing the constructive outcomes of informal collaboration and minimizing dysfunctional behaviors among the loosely aligned collaborators are less studied and more open to trial and error.

”Most of the research on accountability has emphasized formal mechanisms, which only constitute a partial picture of the tangled web of accountability relationships (Romzek 2011). Informal accountability is more complicated and less transparent to both practitioners and scholars, with role expectations and performance obligations rarely made explicit." (Barbara S. Romzek University of Kansas, Kelly LeRoux University of Illinois at Chicago, Jeannette M. Blackmar University of Kansas; *A Preliminary Theory of Informal Accountability among Network Organizational Actors; Public Administration Review* Vol. 72, May/June 2012)

The Metrics of Successful Collaboration

To provide for germane transparency and meaningful accountability, role responsibilities need to be specified for and made public by participants in SDG cross-sector collaborations..

Second, an assessment inquiry needs to be made to compare the agreed upon role responsibilities to the actual due care contributions of each collaborator vis-à-vis each other and vis-à-vis those third-parties who are to benefit from the collaboration as if it were a single enterprise. Such assessment questionnaires are quite easy to develop and use.

However, one set of assessment questions should provide qualitative comments on the communication among participants in the collaboration. Taking intellectual hold of the quality of communications permits participants to gage how well they are balancing the centripetal and centrifugal pressures stressing their joint efforts.

Transparency and Accountability vis-a-vis- the SDGs

Those who assume to implement the SDGs may also be considered fiduciary agents for those who are the intended beneficiaries of the goals, in other words citizens of various nations separately and citizens of the world *in toto*.

From this perspective, governments, business firms and NGOs seeking implementation of the SDGs should be considered as holding offices of public trust as long as they have assumed the task of producing goods and services made meritorious by contributing to achievement of the SDGs.

As such fiduciaries for the public, these participants would each have a duty of disclosure of material information on their undertakings and a duty to take due care in how they execute performance their respective tasks. Their accountability is to justify just how they have so acted with due care.

Here specificity of the goals and objectives set forth as agree-upon steps in the implementation of the SDGs becomes the reporting criteria for transparency on the part of those who hold a public trust under the SDGs and also the basis for assessment of achievement in their undertakings, for what they are to be held accountable.

The *SDG Compass* suggested by the Global Reporting Initiative, the UN Global Compact and the World Business Council for Sustainable Development is a guideline for how to exercise due care with respect to the SDGs. The process suggested by the *SDG Compass* is to 1) understand the SDGs (focus on who are the intended beneficiaries and how are they to benefit from the goals); 2) define priorities (accept responsibility for accomplishment); 3) set key performance indicators; 4) execute; 5) report and communicate

Conclusion

Cross-sector collaboration in implementation of the SDGs will be more successful once fiduciary ideals are adopted by all participants in such joint ventures.

Outro: Humboldt

This issue of *Pegasus* brings together the Caux Round Table's (CRT) recent work on the United Nations Sustainable Development Goals (SDGs), specifically goal 10: 'Reduced Inequalities,' and how to achieve these goals. The SDGs are wide ranging and far reaching and are truly monumental. For example, the very first goal is 'No Poverty,' goal number 7 is 'Affordable and Clean Energy' and goal 16 is – basically – world peace.

The CRT has been involved throughout the entire SDG process. First, by holding round table discussions with business and community leaders around the world in order to get input to feed into the goals; and, second by continuing to partner with the UN's Economic and Social Council on how the business community can better inform the process of achieving success on these goals.

The history of science has been one of categorization, classifying, and labeling. When you have the goal to, for example, understand the human body it is helpful to break it down into its parts – the digestive system, the cardiovascular system, nervous system, and so on. We have done the same thing with other aspects of our world as well – systems of finance, food delivery systems, and our capitalist economic system come to mind. However, in order to strive for success on the SDGs, we will need to look at the intersectionality of these systems.

The Economist recently reviewed a newly authored autobiography of Alexander von Humboldt entitled, "The Invention of Nature: Alexander von Humboldt's New World." Humboldt was one of the greatest scientists of the 19th century not just because of his seemingly endless energy but also because he approached science somewhat differently than other scientists of the time. As the Economist writes: "At a time when scientists saw their duty as chiefly taxonomic – stuffing things into ever narrower categories – Humboldt's genius was to see the interrelatedness of things – in particular the link between plants, climate, and geography. Nature was a web of life."

It is this kind of Humboldtian interconnectedness that we will need recognize in order to conquer these monumental goals. It is especially appropriate to reference Humboldt's genius in working towards the accomplishment of the SDGs and he was one of the first scientists to ever research man's ecological impact on the planet; 'Climate Action' specifically is goal number 13 but nearly all of the goals are, to some extent, related to the environment.

The work of the CRT exemplified in this issue of Pegasus ties all of this together in a way that, I think, would make Humboldt proud. Initially, there is the deep dive into wealth creation and reducing inequality and then a review of our work on cross sector partnerships. The deep dive is necessary for identifying the interrelatedness of the goals – reducing inequality relates to Quality Education (Goal 4) and Zero Hunger (Goal 2) and so on – and the partnerships will be necessary to take advantage of that interrelatedness and successfully achieve the Sustainable Development Goals.

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