

Moral Foundations, the Rule of Law, and the Challenge of Global Aging
Caux Round Table Global Dialogue
Caux, Switzerland
July 7-9, 2003

Monday Evening July 7, 2003

Opening Dinner: (Salle de Terrasse, 2nd Floor) Remarks, **Cornelio Sommaruga**, President, Caux Initiatives of Change and **George Vojta**, Chair, Caux Round Table.

The Global Dialogue was home again in Caux-sur-Montreux after three years in other global venues (Singapore, London, Mexico City). We were greeted on Monday evening by **Cornelio Sommaruga** who said something very striking in his remarks: “Power which is not value-oriented leads to mechanistic and technocratic models which largely neglect human dignity. We must beware of a kind of *market fundamentalism*.” This theme would resonate throughout the sessions that lay ahead. **George Vojta** added his welcome, and in the morning would remind the group the central themes of last year’s dialogue as well as the direction of the CRT since September 2002.

Tuesday, July 8, 2003

The first sessions were devoted to consideration of fundamental values. With such growing diversity in the world, with new technologies of communications, biological innovation and nano-physics upon us, what values can be considered as fundamental to responsible business conduct in the global community?

Session I. Opening remarks: **George Vojta**, Chair, Caux Round Table.

George Vojta reminded the group of CRT’s action program – the “Big Picture” that he had presented at the Mexico City Global Dialogue in 2002. He shared a 20 point handout summarizing “what we stand for” and noted the importance of a consistent message for the CRT. **Vojta** emphasized the moral imperative that the “21st Century be dominated by a universal quest to improve the general welfare, through peaceful change and sustained development.” He insisted that the “functionality, integrity, and safety of the core financial markets should be accomplished through transparency, standardization, risk mitigation, improved settlement protocols, and interoperable operating platforms” with greater emphasis placed on the “fiduciary obligations of private enterprise.”

After a brief status report highlighting CRT activities since the Mexico City meeting, **Vojta** reminded the group that progress was being made in relationship building and data gathering. Financial commitment was needed, however, if these efforts were to come to fruition. “You must be active,” he told the group, “working to increase support, get more people involved, staying with it. It won’t do to dip in and out [of relationship to the CRT].” He then turned the meeting over to **Herman Wijffels**.

Session I, Part 1.

Chair/Presenter: Herman Wijffels, Chairman, Economic and Social Council, The Netherlands; Former President Rabobank: “Introduction to Dialogue Themes”.

Preliminary remarks: Richard Jackson, Program Director and Senior Fellow, Global Aging Initiative: Center for Strategic and International Studies on “The Aging of our populations: Implications for Business and Culture”

Herman Wijffels, a member of the CRT’s World Advisory Council, set the stage for the discussions of the day and spoke of the history of the CRT from 1986. He observed that “the concepts of wholeness and coherence are rapidly gaining centre stage, leading to social action. The CRT, with its commitment to responsible globalization, finds itself in the front line of this development.” He asked:

- How do we arrive at shared visions in a globalizing world – with respect and diversity? Or are we doomed to Huntington’s ‘clash of civilizations’?
- How can each person achieve dignity, freedom from poverty and exclusion, and how can we achieve the preservation of the environment?
- How can we be sure that new technologies (biological, informational, etc.) will be applied for the well-being of the *whole* society?
- What about financial markets in relation to these priorities?
- And how are we to deal with the phenomenon of global aging?
- What is the role and contribution of business in response to these questions?
- Is the competitive business system capable of generating solutions, or must we look for balance to more cooperative approaches?
- And where do we look for leadership?

indicated that the CRT Principles, the SAIP methodology supporting them, and cooperation with George Vojta’s eStandards Forum provided a solid platform for action. He then asked **Richard Jackson** of the Global Aging Initiative, Center for Strategic and International Studies (CSIS), to offer some preliminary remarks (to be followed up more fully in his presentation on Wednesday morning).

Jackson observed that the aging issue was driven by the lowering of the birth rate and the raising of the average age of death in most societies. Population aging is the result, and “graying means paying” in all societies. The demographic data were alarming, particularly in Japan and Europe. “We will need to adjust as individuals, as businesses, and as political entities in relation to the social contract. This is a major social and economic crisis and the stakes are high. How can we preserve the dignity of the old while making room for the aspirations of the young?”

Session I, Part 2.

Presenter: Paul Cardinal Poupard, President, Pontifical Commission for Culture: “The Foundational Moral Imperatives of Our Times.”

Herman Wijffels then introduced **Paul Cardinal Poupard**, speaking from the Catholic and Christian perspective, who addressed the theme of “Foundational Moral Imperatives” in the face of the global challenges ahead. (He read his opening remarks in English, but would interact with the group in French through an interpreter.) **Cardinal Poupard** led off with a beautiful parable about an “eaglet” who did not claim his higher calling – “who spent his life among the chickens.” We have a higher calling than simply passing our time at earth level, he said, and we must attend to the three foundational realities of our morality: “God, human dignity (stemming from our being in the image of God), and human solidarity (the quest for our common good).”

Globalization must ultimately glorify the Creator and serve His greatest work: humankind (individually and collectively). Today's young people are looking for this faith-based vision.

Discussion. **John Pickering** asked whether personal and social morality worked hand in hand, and whether we could get morality “higher up the agenda in an existential age”? **Poupard** replied (through an interpreter) that personal morality was fundamental, yet it must be coherent with social/organizational and systemic morality. “Especially today when there is a distinct *distrust* of institutions and cynicism about the profit motive: the young need *trustworthiness* above all.” “But haven't both business and the church failed to walk the talk?” asked **Pickering**. “Yes,” replied **Poupard**, “and for this reason we must be absolutely *transparent*; we must take time and confront hurts with *humility*. This is a challenge to us all.”

Nabil Kabbabe offered three suggestions at this point. First, “there needs to be a new Marshall Plan aimed at aid for poor countries. Is there a political will for this? Where is the CRT publicly on this matter?” Second, perhaps we should listen more attentively to the “anti-globalists” – they may be on to something. “The culture of Anglo-American capitalism may be subversive of taxation, democratic values, and regulation. This way of doing business may have been hijacked by dealmakers.” Third, we need to acknowledge that “economic growth alone does not guarantee quality of life.”

Lord Brennan asked **Cardinal Poupard** whether the Catholic Church could play a role in relation to the morality of capitalism. “Could it take the principles you have articulated into action through a manifesto? Through a cardinal or curia member for capitalism and/or a designated bishop in each country across the globe?” **Poupard** agreed that the Church must translate thinking and principles into action and that action needed to focus on the development of the *whole* person as well as *all people* in solidarity. As to the curia and the bishops, they do report in to Rome regularly through the *Pontifical Commission for Culture* which he chairs. “But there is room for more involvement – particularly of the laity. An example is Brazil's ‘economy of participation.’ Recommendations are never enough. There must be changes of *law* and changes of *heart*.”

Brief Reflection on Session I. The table had been set. The challenges that lay ahead for the world, and for the CRT's role, were extraordinary. The need to look at *moral foundations* across cultures and within the CRT is critical before shaping an action plan. Without some degree of ethical coherence, global initiatives are likely to be fruitless. Could the CRT find such coherence in its own core philosophy? This was the central question of the first day of our dialogue.

Session II.

Chair: Morihisa Kaneko, Former Associate Director, Matsushita Electric Industrial Co., Ltd. **Presenter: M. Haytham Khayat**, Senior Policy Adviser to the Regional Director, WHO Eastern Mediterranean Regional Office: “Islam's Contributions to World Prosperity.”

M. Haytham Kahyat, speaking from the perspective of the Islamic tradition, identified five key moral foundations:

- (1) *Freedom* is more valuable than life itself, implying that oppression is worse than murder.

(2) A basic *recognition of the other*, leading to respect and dialogue. An openness to others while acknowledging differences.

(3) *Justice* as essential -- in speech, in judgment, in reconciliation, in guardianship. This means valuing equality, not just of Muslims, but of all people.

(4) *Knowledge* must be respected in all disciplines (sciences and the arts). There is a basic harmony between faith and nature. Extravagance is rejected as corruption as is exploitation of the environment. (Agriculture, for example, must include “revitalization” of the land.)

(5) And finally, *gracefulness* or civility is a core virtue. This means a “kindly and caring touch in our relationships with others.” It manifests itself in an emphasis on a work ethic, truthfulness, anti-wastefulness, daily prayer, helping one’s neighbor (kind works and kind words), sharing of surplus wealth, and a pursuit of free markets.

Kahyat emphasized that Islam was not to be identified with the practices of Muslims. But it was to be identified with the practices of “rightly-guided” caliphs. At the conclusion of his remarks, he pointed out that “Muslim” essentially meant “fully human being.” And **Kahyat** added something that touched those around the table deeply: “Muslims pray five times daily for all the children of Abraham.”

Discussion. **Frank Straub** asked about the difference between Sunni and Shiite Muslims, and he also wondered about the tension between Jews and Muslims: Were they “too close”?

Kahyat replied that Sunni Muslims believe that no one is infallible except the Prophet himself, whereas Shiite Muslims believe that the descendants of the Prophet have special credibility. As to relationships between Muslims and both Christians and Jews, it is crucial that *ignorance* and *extremism* be avoided. In Syria, he added, there is a “beautiful mosaic” of all three faith traditions.

Bob MacGregor asked about repressive regimes in Muslim countries. **Kahyat** responded that *wise* people in Islam preach a moderate message. As to repression, the “right atmosphere” is needed – neither repression nor disorder. Avoiding a “clash of civilizations” depends on *all* parties increasing their understanding of one another.

Karel Noordzy wondered whether Islam could be comfortable with the Caux Principles, as the Cardinal indicated that Christianity could be. **Kahyat** replied affirmatively.

Mike Olson said he was grateful for the reminder in the presentations during the morning of the *dignity* of each human life – such a reminder makes genuine dialogue possible. He went on to say that “Our agenda is vast: we need to commit to a new sense of community, to a principle of complementarity, and to take more responsibility for the ‘other’ in our lives. These are principles more basic than the CRT Principles for Business.” **Kahyat** agreed.

John Dalla Costa remarked that it was important to translate values into practical recommendations for businesses. “So I appreciate your views about *gracefulness*, the *caring touch*, and also *beauty* as a priority for business decision making. Do you have other recommendations for business?” **Kahyat** said there were many more things to be said under the heading of *beauty* in this context, but that would call for a separate speech!

Georges Enderle reminded the group of the 1994 Interfaith Declaration (among Jews, Christians, and Muslims) which articulated the values that these faith traditions shared in

common. He then asked about the difference between Europe and the Middle East with respect to embracing the Industrial Revolution (mentioning Landes' book, *The Wealth & Poverty of Nations*). **Kahyat** replied that in the absence of freedom, there can be no prosperity, no science, and no technology.

Haruo Funabashi was struck with the mention of the fifth value – *gracefulness* – because Japan has a similar basic value. “It is related,” he said, “to dealing with ‘the other’ in a more civilized way?” **Kahyat** said “Yes, correct. Furthermore, Islam protected the statues of previous civilizations out of respect. The behavior of the Taliban in Afghanistan (destroying Buddhist statues) did not represent true Islamic values.”

Harry Hummels thanked **Kahyat** for a thought-provoking presentation and for offering a vocabulary of Muslim values. “Could you say more about the importance of the earth and the environment among these values?” **Kahyat** responded that it was criminal what many are doing to their planet. And human health is suffering a lot from environmental degradation. *Balance* is critical in our approach to the environment and health. Exceeding the balance leads to disease. We must not stress the system so that it cannot “recover” or compensate for our interventions.

Richard Jackson also thanked **Kahyat** for his presentation and his eloquence. Regarding economic development, he asked for clarification of the Muslim view of acquiring a surplus. Is it antithetical to true development? **Kahyat** answered that “Islam does not discourage surplus – only the *hoarding* of it. *Reinvestment* is key to the ethics involved.” **Oltmann Siemens** followed up on the economic development issue, pointing out that the activities of the World Bank had not reached the *masses* in Islamic countries. “What does this ‘non-development’ stem from? The state structure? Islam itself? The role of women?” **Kahyat** replied that the *absence of freedom and democracy* is the main obstacle for Islamic countries’ development. Malaysia is an example of new development can happen when there are the rule of law and relative political freedom in place. “This is ironic,” he said, “because Islam encourages ‘mistakes’ and experimentation for the sake of adaptation. If we can do this in the medical field, we should be able to do it in the economic arena.” Regarding the role of women, he suggested that practices today were imported from another culture and were neither good nor essential to the Islamic religion.

Jan Oosterwijk and **Isao Uchida** thanked **Kahyat** again, saying that recent tragedies called for more dialogue. **Kahyat** said he couldn’t agree more.

Brief Reflection on Session II. Our reflection on *moral foundations* continued with new energy and insight from this discussion. The response of the group to **Kahyat** and his message was warm and profoundly hopeful. So far, between Christianity and Islam, the basis for both dialogue and action seemed clearly established.

Session III.

Chair: Chris Beresford, Chairman, Institute of Business Ethics. **Presenter: Rabbi David Rosen**, International Director of Interreligious Affairs, The American Jewish Committee: “Tikkun in the Jewish Tradition: the moral imperative of social justice.”

Rabbi David Rosen, speaking from the Orthodox Jewish perspective, began by pointing out that “the revolution in the Abrahamic biblical tradition was not simply *monotheism* – but *ethical monotheism* – the belief in a just and merciful and righteous God who is *worthy of emulation*.”

This observation supports a foundational principle of human dignity. We are created in the divine image, which is the *source* of our dignity. Our self-worth is well-grounded, but we must avoid self-intoxication. “We must find a balance between a sense of our special worth – near unto the angels – and the humility of being only dust and ashes.”

A second foundational principle is the value of the collective. The covenant presumes a collective, but not an oppressive one. We must balance the individual with the collective. Danger arises when the collective becomes a supreme value – an idol. The challenge is to find a point of equilibrium. (An extension of this second principle of the value of the collective is our ecological responsibility.)

Rosen added that in the Jewish tradition it is often said that “every human being is a whole world” and it is also said that “God is biased toward the vulnerable (the stranger, the orphan, the widow).” And while the former message can be corrupted, forgetting the social imperative that keeps it in equilibrium, it is an important ethical principle. (Fear, he said, often reveals a basic *alienation*, and some terrorism seems to be rooted not in economic conditions but in “wounded identity” – a *fundamental* lack of respect.)

Referring to the “sacred triangle” mentioned by Cardinal Poupard earlier in the day, with God at the apex, the sanctity of the individual at the lower left and the value of the collective at the lower right, **Rosen** reminded the group that there are dangers at BOTH of the base angles. The sanctity of the individual can be corrupted into a kind of arrogance or egocentricity, while the value of the collective can be corrupted into a kind of totalitarianism or fascism, making the collective a supreme value. (Perhaps the importance of the triangle is that God stands between the absolutization of either of these values.)

“Both the individual and the collective must stand before the Lord,” he said, and *servant leadership* must minister to both. “You – the Caux Round Table – are acting out of the two principles that undergird our Abrahamic faith traditions.”

Discussion. **Bob MacGregor** thanked Rabbi Rosen for his message, adding that the Israelites’ “special responsibility” must not be interpreted solely as their “special privilege.” He asked why we were allowing Sharon to “batter” the Palestinians. **Rosen** replied that it was true that Sharon had a “military” mind rather than a “civil” mind – but he *might* for that reason be in a position to make peace better than anyone.

Ken Goodpaster said he appreciated the emphasis on the congruence between the Abrahamic traditions and the Preamble to the CRT Principles – the two pillars of *human dignity* and *kyosei*. He added that the corruption of the value of human dignity into arrogance was once brought home to him by a remark a friend of his once made: “Each of us is special – but no different!”

Theresa Szeliga mentioned **Rosen’s** comment that societies cannot survive that do not “care for the vulnerable,” and asked whether this was true for corporations as well. **Rosen** replied affirmatively: companies that have shown a value orientation have also been more successful.

Charito Kruvant asked “What went *wrong* – given these three biblical traditions and your message about their core values? What is in the *shadows* of these traditions that gives rise to fanaticism?” **Rosen** thanked **Kruvant** for her question. “Religionists have a lot to answer for,” he said. “In our traditions, many do not believe what the Pope says – that *violence in the name of religion is not religion*. The *shadows* explain the need for *revelation* in the end. Why is religion so easily exploited? Because it seeks to give *meaning* and *purpose* to who we are. Openness is only possible when I am secure -- not threatened. The tendency is to demonize the other and thereby to isolate oneself.”

John Dalla Costa said “We’re trying to catch up to a reality – corporations globalizing – with emphasis not only on profit but on responsibility. But can we arrive at our ideal simply by looking for a *balance* between these two forces? Isn’t it important to go *beyond* mere balance and err in the direction of *surplus* generosity and *surplus* caring? He observed that the phenomenon of “sabbatical” in the Abrahamic traditions indicated that there was more than simple justice or reciprocity at the core of the social imperative – there was generosity and mercy for a larger good. **Rosen** thanked **Dalla Costa** for his observation and question. “Yes, there are asymmetries needed. This is an old issue in the courts. For this reason, compromise is offered (peace) before the litigation begins – in the hope that each side will demonstrate a ‘surplus’ mentality.”

Nabil Kabbabe said he appreciated **Rosen’s** point about terrorism. “Yet a key to both social and economic development is education, is it not?” **Rosen** replied “Yes. The key is education, not only of people generally, but of ourselves. One cannot show *respect* for what one is ignorant of.”

Brief Reflection on Session III. The core messages articulated with such eloquence from each of the faith traditions had a common theme, and that common theme is to be found explicitly in the *Introduction* to the *Caux Principles for Business*:

These principles are rooted in two basic ethical ideals: the Japanese concept of "kyosei" and the more Western concept of "human dignity." "Kyosei" means living and working together for the common good -- in a way that enables cooperation and mutual prosperity to coexist with healthy and fair competition. "Human dignity" refers to the sacredness or value of each human person as an end, not simply as a means to others' purposes or even -- in the case of basic human rights -- majority prescription.

The three faith traditions were *aligned with one another* – and *all three* with the foundations of the Caux Round Table vision for principled business conduct. This was already an extraordinary opening day for the Global Dialogue.

Session IV.

Chair: William Ogden, Principal & Managing Director, International Financial and Fiduciary Group. **Presenter: Lord Brennan QC**, Past Chairman of the Bar of England and Wales: “The Rule of Law in the Global Village.”

At the end of the afternoon on Tuesday, **Lord Brennan** sought to translate the moral foundations of justice and human dignity into a practical, more “secular” objective – *the Rule of Law* – and to clarify this aspiration in the context of globalization and diverse cultures. He began with a statement of the problem: “all dogs will fight for their bones,” quoting American legal thinker and Supreme Court Justice Oliver Wendell Holmes.

To provide for justice or equilibrium, the rule of law needs, in Lord Brennan’s opinion: 1) institutions with a democratic basis; 2) “good” substantive laws; and 3) community respect. The Rule of Law is the cement in building civilization: it keeps all the bricks in place. Said **Brennan**, “Shared principles are not enough – they need to be applied through the rule of law.”

First, we must build *judicial independence*. Corruption in many places is a form of judicial control, denying independence, and so fairness, in the application of the law. Second, a system of *good commercial law* is a must for prosperity. Third, nations need a framework for *financial transactions* and *corporate governance* that works. Fourth, and finally, there needs to be a sense of *world justice*. A world body was needed to address the huge disparities of wealth around the globe.

He observed that in the EU, “\$2.20 per day was paid *per cow* in subsidies.” (Someone added that in Japan the amount was two or three times *larger*.) “This,” said Brennan, “while many people in the world subsist on less than \$1.00 per day.” Finally, it was acknowledged that the *rule of law* (and an independent judiciary) *costs money*. “But the value of justice is worth the cost – is greater than its expense,” said Lord Brennan.

The role of the Caux Round Table in a “world of justice”? Using its influence as an NGO with other sources of influence: governments and multinational corporations. “Perhaps the CRT should consider a set of principles for the rule of law as a condition for world justice?”

Discussion. **Bill Ogden** used his prerogative as chair to ask the first question. “Recalling **Rabbi Rosen’s** hope for widening moral relationships beyond nation states, what is your view of the implications for nation states in embracing the rule of law?” **Brennan** replied that this was a key issue. In the presence of multinational corporations, the laws of nation states are not enough. Neither is the WTO. “We still need to see the *world* as an ecosystem – rather than focusing on ‘our’ markets.”

Karel Noordzy wondered whether we had *too much* law in the “developed” world – a world in which litigation has run amuck and the drama of “never again” builds on itself (e.g., Sarbanes-Oxley). “How are we to deal with this phenomenon – genuine freedom in tension with the legal system?” **Brennan** agreed that in the “developed” world there were “too many lawyers looking for too much work. Not enough are devoted to sectors in which they can do a good job. Also, the complexification of modern law is not necessary. We don’t need lawyers to resolve negotiations and disputes, only to write up these matters later.”

Frank Straub asked **Brennan** to comment on the situation in Italy at this time (Berlusconi). **Brennan** said that the EU needs to stop the 6-month cycle of presidents and establish 3-4-year terms of office. “Moreover, civil discourse these days is at a primitive level, with politicians speaking in slogans and in crossfire. The media is turning political life into second-rate thinking. And as to Berlusconi, it is not right in a democratic setting to claim immunity.”

Cornelio Sommaruga asked about the recent UN Human Security Report, especially regarding the security of “people on the move” (migrant workers). **Brennan** said this was “a matter of world order and a treaty obligation of the UN Charter. These issues of world order go far beyond the problem of Iraq.”

John Pickering alluded to the litigation issue again. “We need a system, don’t we, where the small man can sue?” **Brennan** agreed. “The Cardinal this morning said that the law delivers justice between the weak and the strong, and the poor are the weak. Democracy *must* balance the rights of the majority with the rights of the minority.”

Oltmann Siemens commented that the EU cow subsidy figures were important, but “the reality is that the rule of law costs money. How are we to finance world justice?” **Brennan** agreed that there was a cost to the rule of law, adding that we still had to make the rule of law a “take it or leave it” proposition to developing countries. “Also, we need to publicize the EU and other such figures *daily* to get the public to listen.”

Michael Bates wondered whether developing nations might not be suspicious of the “rule of law” as a system that essentially advantages the wealthy (e.g., the WTO). “What about a system of *arbitration*?” **Brennan** replied that “Yes, we need regulation of the legal system and plea bargaining, etc. But *arbitration* is no less advantageous to the wealthy in the end.”

Haruo Funabashi wondered how culturally influenced the “rule of law” really is. “In some countries,” he said, “drug trafficking is a capital crime, while in others it is not.” **Brennan** agreed that it is a challenge to combine the rule of law with cultural differences. “But such dilemmas should give us optimism, not pessimism, about the future.”

Brief Reflection on Session IV. Karel Noordzy commented at the end of the first day that it was for him a “feast of recognition.” Perhaps this is a fitting summary of the day. It was a search for core values in the three Abrahamic faith traditions – *and we found congruence*. It was also a search for operationalizing these core values in the *rule of law* – and we found *insight* and *hope*.

Dinner/Open Discussion. **Stephen Young** moderated a brief discussion toward the end of the dinner hour, soliciting reflections on the ‘fall-out’ of the Iraq Conflict with regard to the global work of the CRT. Several expressed concern with the implications of what they perceived to be US and UK unilateralism in the conflict. Because of a concert by a British string quartet which many planned to attend at 8:15 pm and the fact that dinner had been delayed until 6:30 pm, this discussion was abbreviated.

Wednesday, July 9, 2003

On Wednesday morning, color-coded breakout groups met at breakfast to discuss CRT action items which they would continue discussing later in the day.

Session V, Part 1.

Chair: George Vojta. Presenter: Richard Jackson: “Demographics of aging and declining populations.”

Returning in this session after his preliminary remarks on the first day, **Richard Jackson** offered a remarkable package of data on *global aging* – along with challenges of many kinds: *fiscal*, *labor* (markets), *economic* (markets), *financial* (asset devaluation), *geopolitical*, and perhaps *ethical/moral*.

Today, **Jackson** said, wealthy nations hold about 95% of the world’s wealth, but if present demographic trends continue, that will change significantly. Falling fertility and rising longevity mean that developed nations are running out of young people to create new wealth and are running into large numbers of old people who will drain wealth from their economies.

Fertility in every developed country has fallen below the replacement rate of 2.1. The three developed countries with the lowest fertility are Japan, Germany and Italy. At the same time, longer life spans enlarge the relative number of older people in the population. Historically, developed nations have enjoyed a steep pyramid-shaped age distribution, with far more younger people at the base than older people at the summit. By 2050 developed countries will experience an *inverted* pyramid, with more old people at the top than young people at the bottom.

- The *fiscal challenge*: fewer workers to support each person in retirement, so there will need to be tax increases, benefit cuts or extraordinary public debt to fund pay-as-you-go retirement plans. There will be growing political paralysis over unpopular budget choices as public retirement benefits are due to grow to ¼ of GDP. Retirement spending will leave little room for national defense appropriations.
- The *labor challenge*: shrinking and aging workforces will bring pressure to increase immigration (provoking cultural backlash) as well as cross-border outsourcing of production. In Italy, the working age population will decrease 42% by 2050.
- The *economic challenge*: long term zero or even negative GDP growth; declining rates of savings and investment, falling demand for infrastructure (housing) and capital goods, shrinking consumer markets, overcapacity in production and declining profits.
- The *financial challenge*: danger of a great depreciation in financial markets when “Baby Boomers” retire; unsustainable government borrowing to fund pensions; possible collapse of regional economic entities like the EMU; capital-flow reversals – emergence of *developed* debtors (Japan? Germany?) – and *developing* creditors (China? Mexico?).
- The *geopolitical challenge*: Will youthful *developing* societies feel demographic pressure to expand? Translate faster economic growth into global leadership? Will aging *developed* societies find the resources to meet their security commitments? Be willing to sacrifice for the sake of the future? “If demography is destiny,” **Jackson** said, “global leadership may pass from the ‘first’ world to the ‘third’ world.”

Jackson suggested the following possible responses to the demographic trends:

- focus on raising productivity and wages
- encourage later retirement and working lives

- encourage more employment of “working age” adults
- reward families for raising children
- make it easier for young and old to care for each other within families
- change retirement programs to funded savings plans, scaling back pay-as-you-go benefit programs
- strengthen the means-tested old-age safety net
- promote globalization for immigration, outsourcing and cross-border investment so that an open global economy can allow young people to support old people regardless of national boundaries

Finally, four imperatives must be acknowledged – perhaps they represent *ethical/moral challenges*: (1) As individuals, we must assume more responsibility for our own old age; (2) As businesspersons, we must adapt to the realities of an aging workforce; (3) As political leaders, we must reform social contracts that direct an ever-rising share of national income toward retirees; and (4) As members of the global community, we must help the nations of the world develop common aging strategies.

Jackson concluded: “We live in an era defined by many challenges, from global warming to global terrorism. None is as certain as global aging. And none is likely to have such a large and enduring effect on the shape of national economies and the world order.”

Discussion. In view of the number of questions and the limited time, the chair asked that the usual question/answer format be replaced by participants asking questions (before the break) one after another, allowing **Richard Jackson** to respond to them selectively (after the break).

Karel Noordzy pointed out that some EU countries had funded retirement plans (UK, Netherlands) while others were pay-as-you-go (Germany, France, Italy). Inflation will be high. Does this mean that the UK will not fully participate in the EU?

Christopher Moon asked “Is there a global solution to the aging issue? What is the *real* cost of the aging population (*versus* its *percentage* cost)? Could there be capital reserves for this?”

Bob MacGregor thought that the global aging picture was depressing. There would be fewer resources to address poverty. “Is there any light at the end of this tunnel?”

Sirkka Korpela said that the global aging problem is a problem for *developed nations*, not for the whole world. “Are we building fences around ourselves? The rest of the world has the opposite problem! We need to see the globe as a globe!”

Jan Oosterwijk wondered why Italy was so unusual in the negative statistics.

Frank Straub pointed out that the Rolling Stones in their 60s are still rocking and rolling! “So what is wrong with longer work lives as a partial solution to global aging?”

Rabbi Rosen thanked **Jackson** for his presentation. He then said that he had a problem with **Jackson’s** recommendation that developed countries *increase* birthrates. Would this not worsen ecological problems, in contrast to alternative birthrate strategies?

Nabil Kabbabe asked whether we should be just for its own sake or because we will be on the receiving end from today's developing nations in due course? He added: "We're getting richer, but not happier!"

Georges Enderle wondered whether there was not a *fifth* imperative to add to the four that **Jackson** had listed, namely, an imperative for *corporations* to adjust their pension plans to reflect the reality of global aging.

John Pickering said that what has to go is the "defined benefit scheme" in favor of the "defined contribution" scheme. Another problem, he added, was that "retirees of companies that go bust are often left without retirement resources."

Lord Brennan expressed appreciation for **Jackson's** presentation, adding some further challenges. First, a political one: aging voting blocks (young *versus* old). Second, a sociological one: family unit issues – must we reinvent it or give up on it? Third, how are we to cope with healthcare rationing? Does it raise the specter of euthanasia?

Oltmann Siemens suggested that while **Jackson's** picture of the situation was accurate, there were *dynamic* options available. "Our attitudes toward the old and the young must be adjusted," he said. **John Stout** said that speaking of attitudes, "We sitting here have not adjusted *our* expectations. We have entitlement attitudes about wealth and the future." **Tom Bausch** agreed about the need for attitude adjustment. "In our spiritual tradition, the purpose of leisure is not work," he said, "It is contemplation. How much wealth does this require?"

Session V, Part 2.

Chair: Harry Halloran.

After the break, **Harry Halloran** assumed the role of chair and asked that those who had not yet had a chance to ask questions do so, before giving **Richard Jackson** the floor to selectively respond.

Questions continue. **Isao Uchida** asked: "If we can eliminate huge waste in food and industrial production – if we can stop the waste – can we avoid some of the negative consequences in Jackson's scenario? (E.g., the wasteful practice of treating work hours as 'rights.')

Michael Bates asked (as an optimist) whether global aging is a real problem at all. "Isn't it simply an allocation of resources issue? We need the globalization of labor markets, resulting in the spreading of wealth. This is not a new issue. Perhaps we need to overcome the 'gated community' attitudes in the developed world."

Charito Kruvant spoke with great feeling as she said that she left Bolivia as a young girl to go to a developed country (the US). "In my 30s, I went back as a grown woman in the Bolivian environment. I could go into the mountains to be with God. And as I get older, I wonder how much 'development' is *enough*? Perhaps our religious leaders need to press this question on us?" **Mike Olson** agreed with **Kruvant**. "The religious and spiritual issues that emerge here are profound," he said. "We must be in community – caring and sharing – enough for everyone's need but not for everyone's greed (either for wealth or longevity). Each of us must ask: Who, if not me? When, if not now?" **John Dalla Costa** built on the previous two comments.

Creativity, he said, was a sign of a great presentation. “I ache to hear talk of ‘sustainable development’ when it means holding on to what we have. What does ‘sustainable’ mean? It would take 3-5 planets to sustain current levels of wealth in developed countries. Perhaps we should speak of sustainable *de-development*?”

Haruo Funabashi said he was reminded of a woman (age 100) who was asked what she would do with their wealth. The answer was: “Half as a gift to her son (age 70) and half to prepare for her death.”

M. Haytham Khayat said that in the Middle East, extended family is still the norm. “Our religion calls for rewards for taking care of elders. We had an orphanage near an elder hostel during the civil war in Lebanon, and the elders took care of the orphans. Feeling like useful assets is important to the elderly.”

Bill Ogden said that productivity and technology are often “solutions” to social problems, but *access* to technology is often blocked. “Perhaps we need to bring work in developing nations up to the knowledge work levels in developed nations,” he said. “This is a business community responsibility.”

Harry Halloran observed that there were a lot of positives to consider in the discussion of the aging issue: the increasing number of women; the increasing wisdom that comes with age; a “flip” from *developing* to *developed* status, with the life lessons this brings; and the rise of volunteerism and service that will be called forth from us. He then gave the floor to **Richard Jackson** for some responses to all the comments and questions.

Jackson made the following points:

- I concentrated on the developed countries because they are just the *first wave* in the global aging dynamic. East Asia (China) will wish to get rich before getting old.
- Many countries are now putting funded pension systems into place, especially countries in Latin America.
- The spiritual message is important – some things are more important than our own wealth and age. This is part of our *humanity*. (Cf., the book by Leon Katz, *Toward a More Moral Society*.)
- The figures I have shared are *projections*, not *predictions*. They are the consequences of the constraints that are currently in place if we are too stupid to change course (e.g., working longer, population growth, immigration policies).
- We must be honest in asking ourselves whether we *care* about the continuation of French, Italian, Jewish, and other ethnicities.
- Rationing healthcare is inevitable. Eliminating waste will not solve the problem. There must be a moral basis for rationing. (This is not about *euthanasia* – but *rationing*.)
- We are all in favor of eating and education – but perhaps not gourmet eating and Princeton education. Healthcare may not be parallel in this respect.

Harry Halloran then recognized several further questions and comments since time permitted.

Lord Brennan asked: “What *is* an ‘aging population’?” **Jackson** replied that “lifespans” were the demographic definition, but “healthspans” presented a complicating factor. A big unknown is the functionality of older citizens. Will there be less morbidity?

Frank Straub said that working longer requires health, to be sure. And better nutrition is needed as well. “In Germany, earlier retirement is a problem and there is a myth that more jobs come from earlier retirements. The truth is that there are more taxes on the younger rather than the older citizens if the older ones do not continue to work.” **Jackson** replied: “Absolutely right! You may be the only European who understands this!”

Ramiro Santa said “In Latin America, there is a similar picture, but perhaps the development is more *sustainable*. The role of the *family* is key to the solution to the aging phenomenon. Perhaps the problem of ‘aging’ is only a symptom of a deeper problem?” **Jackson** rejoined that in Mexico the average family size has dropped from 7 to 2 children.

John Stout thought that the “problem” here was actually a huge *opportunity* – an opportunity for improved personal responsibility for health and for alternative healthcare delivery systems. **Jackson** agreed.

John Pickering said regarding healthcare expenditures that the UK has a cartel buying process for its Health Service, and that this is not a bad thing. He added that in the US, the price of entry into the pharmaceutical market is extraordinary. **Jackson** observed that in the UK the tradeoff is forced rationing and queuing.

Concluding the session, **Jackson** commented about the political implications of the aging issue. “My boomer generation is not so selfish as some have thought – and if called upon to give something up, we will, which is a positive thing.”

Brief Reflection on Session V. The richness of this conversation lay not only in its unimpeachable *practicality* – but in its surfacing of a very deep question, a question with classical roots in Plato and Aristotle as well as in the great religions: “How much wealth is *enough* for authentic human happiness? Is *more* always *better*?” For this reason, **Richard Jackson’s** discussion of global aging actually brought the dialogue full circle to the themes of the previous day, themes about the foundations of morality in the great faith traditions.

There were to be two early departees after lunch, **Cardinal Poupard** and **Cornelio Sommuraga**. The Cardinal thanked the group for the interaction, recalling an old Chinese proverb: “Prophecy is difficult, especially with respect to the future!” He said his two core convictions were that the future was in our hands, and that we are in the hands of God. We need to remember this in the context of the global aging conversation, as we think about remedies. **Sommuraga** offered his personal thanks to everyone, and particularly to **Lord Brennan** for *adding* challenges. And he reminded the group to come back to Caux!

Luncheon Speech: Dr. Hisashi Kaneko, Counselor and Former President, NEC Corporation, and Vice Chairman of the CRT, “Observations on CSR and CRT actions in Japan.”

Dr. Kaneko began by noting how *scandals* often trigger attention to Corporate Social Responsibility (CSR), in the US, Enron, and in Japan. In Europe the attention has come largely from questions about the implications of the EU for corporations. The Keidanren in October 2002 sent a strong message about CSR when Toyota’s Okuda agreed to be the honorary Caux Round Table Japan chairperson. “Today Japan is reflecting intensely on CSR – and the fundamental relationships between business and society. A number of CSR groups have sprung

up during the past year. This is reassuring to the Caux Round Table in Japan. We are translating the SAIP into Japanese and aligning it with our business system. A number of Japanese institutions are now interested in this growing effort. We have a tailwind! The last four years of CRT in Japan have been amazing – and encouraging for the future! All this being said, I am pleased to announce that the next Caux Round Table Global Dialogue will be in Japan, October 22-24, 2004 at the Keidanren Guest House at the foot of Mount Fuji. Please come!”

During the early afternoon, the breakout groups from the morning breakfast session met for a second time. Brief reports were offered at the beginning of the final plenary session.

- **Harry Halloran** reported for the “yellow” group that George Vojta’s charge to “get something done” was proceeding well for the SAIP (the CRT Self-Assessment and Improvement Process). Professionally, it was undergoing beta-testing in companies and translation into Japanese and European languages and contexts. Academically, it was increasingly being discussed in journals and by networks in universities, such as the Society for Business Ethics in late July, 2003.
- **Charito Kruvant** reported for the “red” group that discussion had centered around “back to basics” – the principle of starting with individuals before trying to change others.
- **Jan Oosterwijk** reported for the “green” group that discussion had centered on the “rule of law” issues raised on Tuesday.
- **Michael Bates** reported for the “white” group that discussion had centered on: “What will be the drivers of *change* in 2040? Technology most likely. What will be the *constants*? Human nature, religion, values, the rich-poor gap, disease, the environment (Earth). The key ‘megatheme’ was ‘generational equity’ and the sources of hope were: forgiveness; AIDS funding; the youth of today; and diversity. Actions to be taken? Mentoring, education, and strengthening the sources of values (families and churches).”

Session VI (Plenary).

Chair and Moderator: Lord Brennan: “Where do we go from here?”

After the break-out group reports, **Lord Brennan** began the closure process for the Global Dialogue with a call to engagement and action. He invited comments from the group under the following five themes or headings:

- **Tools** (beyond CSR and the CRT Principles to the SAIP among others). Comments were invited on moving from aspiration to action through refined measurements, audits, targets, and mentoring.
 - **Georges Enderle** mentioned the Global Reporting Initiative (GRI) and said it was important to determine how the GRI related to sustainability reporting. **Sirkka Korpela** agreed with **Enderle**. A network is needed to follow the UN Global Compact and the GRI.
 - **Dean Maines** mentioned that the CRT Oversight Committee has been linking to other initiatives for nearly two years now, summarizing and relating them to the CRT Principles for Business. “We need to remember, though, that a *reporting* platform is not the same as an *assessment* platform.” **Harry Halloran** agreed, noting that the SAIP tool is adaptable to various other CSR initiatives.

- **Harry Hummels** wondered about how to *apply* the tools. He mentioned Glenn Peters at PwC and their *Reputation Assurance* program.
 - **Steve Young** mentioned a book called *The Tipping Point* about how to get a standard adopted. Influence is a big factor, it turns out. **Christopher Beresford** agreed, suggesting that we might need an intermediary organization between the SAIP and the Big 4 accounting firms.
- **Early Projects.** **Lord Brennan** drew the group's attention to the activities of Japan in Sri Lanka as an example of effective and generous action. Japan's \$3 billion commitment to these 19 million literate, motivated, intelligent people did much to make such direct foreign investment a model for others. In April 2003, America invested several hundred million dollars in Sri Lanka. "There's pressure in the environment for public confidence which should be taken advantage of."
 - **Public Advocacy.** This is essential, said **Lord Brennan**, to and through the Big 4 accounting firms, the Coalition for CSR in Europe, the S&P organization, the UN Global Compact organization, the World Trade Organization, and various faith-based groups.
 - **Karel Noordzy** reminded the group that "marketing is trying to have what you can sell – not trying to sell what you have!" We need a tool kit for *changing cultures* in organizations, like the "Seven Ss" framework of McKinsey. "Does the SAIP have this?" **Harry Halloran** replied that the SAIP does clearly involve an improvement process of the sort that **Noordzy** is calling for. **Dean Maines** added that the SAIP was about to be tried out on a Board of Directors of a company called Reell Precision Manufacturing (RPM) in Minnesota.
 - **Jan Oosterwijk** said he might be able to be of help in Thailand with public advocacy.
 - **Morihisa Kaneko** asked "Have we really been *promoting* the CRT Principles for Business?"
 - **Bill Ogden** commented that "action calls for our not being protectionist."
 - **Communication of our Message.** "How do we best communicate our message?" Lord Brennan asked. "By a plasticized card with the CRT message? By a booklet? By a book? By a video?"
 - **John Stout** said that he has been aware of corporate members and visitors to the CRT Global Dialogue over the years, but has never seen a genuine *endorsement* of the CRT Principles. Caux seems not to be in the multiple dialogues over CSR around the world. **Bob MacGregor** agreed with **Stout's** point about there the CRT not seeking endorsements. **Steve Young** disagreed to some extent. "We have a good start," he said, "including the Institute of Directors, Lord Brennan, and John Dalla Costa. Also there is the *risk* that companies have to *do* something in relation to the CRT Principles, unlike with the UN Global Compact. By the way, 'traction' comes from a tool that *works* and not so much from *asserting allegiance* to the CRT Principles or any other set of principles."
 - **Morihisa Kaneko** commented that "we *sold* copies of the CRT Principles in Japan in 1994. Today the booklet is free."
 - **Harry Halloran** said that *endorsement* and *practice* are a "both/and" idea, not an "either/or" idea.

- **Georges Enderle** asked a philosophical question about the aims of the tool(s)? Are they ends or are they means? What is the *purpose* of a company? The answer to this question has *consequences* for the attractiveness of both the principles and the tools.
- **Sirkka Korpela** said that the best marketing is to show how the principles and the tools help companies with the “business case” – achieving economic success.
- **Education.** Finally, the young need to be reached with this message through education, **Lord Brennan** said – in business schools, among young business leaders, and in CSR responses to certain ‘events’ (i.e., how CSR would have made a difference).
 - **Karel Noordzy** said that there was insight in approaching pension fund organizations with an educational message. Why not? He mentioned also a course for new corporate directors from the Center for the Active Learning of Leadership (CALL).
 - **Tom Bausch** agreed as a business school dean that we need to work at mentoring young people out of business schools – and to make them aware of socially responsible investing (SRI). **Bill Ogden** agreed, adding that money managers are looking for SRI ideas and have, therefore, a natural affinity with the Caux Round Table if we pursue them.
 - **John Dalla Costa** pointed out that *Values-Based Decision Making* is a required course in the business curriculum at the University of Toronto. “And now *theology* schools are starting to get involved.”

Just for fun, **Lord Brennan** mentioned an association called Legal Information Engineers (LIE). He then concluded the plenary session with a critical challenge: *CRT needs financial resources!*

Brief Reflection on Session VI. Wednesday afternoon involved a search for CRT’s role in furthering the core values identified on Tuesday – and a response to the challenges of global aging, wealth disparity, and corporate social responsibility articulated so clearly late Tuesday and on Wednesday morning. A number of suggestions were made – both in small groups and in the final plenary session regarding:

- The SAIP as a tool for corporate accountability,
- The example of Japan’s relationship with Sri Lanka,
- Public advocacy,
- New ways to communicate the CRT message,
- Reaching the young through education and mentoring,
- And, of course, financial resources!

Somehow solid *virtues* were needed to meet these challenges. Where would they come from?

In his summary remarks about the Global Dialogue at the closing dinner on Wednesday evening, **Ken Goodpaster** said he was reminded of the frescoes on the ceiling of the graduate business school at the University of St. Thomas in Minnesota. They are the largest frescoes in North America, and they depict the seven virtues celebrated by St. Thomas Aquinas: *faith, hope, and charity* (the “theological” virtues); and *prudence, temperance, fortitude, and justice* (the “moral” virtues). The very idea! *A business school celebrating classical virtues!* A business school in which people enter and *look up* to see the virtues depicted in rich colors and symbols. Not unlike

the circumstances of the Caux Round Table meeting at Mountain House – another place where we can *look up* for the inspiration needed to meet the challenges of global business.

Respectfully submitted,

Kenneth E. Goodpaster
Koch Endowed Chair in Business Ethics
University of St. Thomas
Minneapolis, Minnesota USA