



*Moral Capitalism at Work*

**The Bangkok Agenda: Reshaping Capitalism to  
Ensure Sustainability  
Bangkok, Thailand  
October 12, 2013**

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

An imbalance in a largely unaccountable market economy is compromising our very future. Chronically high levels of debt, unemployment, inequality and too much environmental degradation prevail. A global cross-sector leadership vacuum currently prevails, which refuses to reshape free markets to ensure equitable sustainability of our individual and collective well-being.

What, then, must be done? What steps must be taken? How do we fully capture the proven capacity of free markets to create wealth and lift the level of prosperity? How do we get the unique genius of markets to deliver fulfilling employment and promote true justice for all? How can we best harness the innovation and passion of the global business community to deliver these goals? How can we inform, energize and support community efforts to bring about this positive change?

First and foremost, business will need to fully embrace the fact that the prospects of government, business and civil society are interrelated and mutually dependent. Business can't be a power unto itself - autonomous from considerations of ecological and community well-being. And it cannot just subordinate ethical and moral values to short-term profits.

Stakeholders, including shareholder interests, but not just shareholder interests alone, must be primary – and in the broadest sense. More enlightened and innovative leadership and governance is clearly needed. Incentives must be re-aligned to steer away from short-term thinking so that responsible decision making towards long-term growth and profitability prevails.

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

But the answer to these realities is not to jettison the modern market economy itself, but to re-institutionalize the values that made this system possible. That is, wise stewardship, good governance and concern for the common good need to be core values of any market economy.

In the last 20 years with the rise of civil society and the movement for good governance and corporate social responsibility, progress has been made towards ensuring a more sustainable market system.

Therefore, we call for enhanced rebalancing of the modern free market economy in a way that firmly has good values at the core. In other words, a rich set of ethical principles for doing business should underpin all business activities. The Principles for Responsible Business, originally written by the Caux Round Table and consistent with all religious and cultural traditions, provides a comprehensive set of such principles.

Additionally, the rebalancing must entail the recognition of the full spectrum of long-term risks and profits, which will flow from current operations. This means managing so-called “off balance sheet” risks and opportunities, as well as those “on the balance sheet.” This means measuring intangible, as well as tangible assets of companies, as the present value of a company depends on its future intangible advantages in customer loyalty, employee productivity, supplier quality, credit worthiness and community approval.

Business needs to fully embrace the full spectrum of broader stakeholder, societal and environmental risks and value drivers that fundamentally impact their financial performance and prospects. In short, a real and total value balance sheet mindset needs to be embraced and managed – not just a financial one. This rebalancing also needs to counter the relentless and ultimately unsustainable pursuit of compound growth for growth sake, as well as poor governance, with its high tolerance of profiteering from crony capitalism.

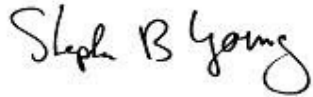
The needed rebalancing, however, leaves many practical challenges, which the wider business community will need to embrace. This will involve tackling a number of fundamental questions, including:

- How can customers come to demand value-based sustainable products and services?
- How to reform equity markets so that they support and encourage long-term value creation, rather than short-term speculation?
- How to reform reward structures to avoid rewards for failure and short-termism in management and narrow self-interest behaviors?
- How to reinforce the management of sustainability issues and the full spectrum of stakeholder risks as fiduciary duties?
- How to mainstream ethics and risk-management into the education of current and future business leaders?
- How to broaden the concept of sustainable growth, including the adoption of qualitative measures and sufficiency principles beyond just quantitative measures?

If the market economy is not rebalanced and its shortfalls addressed, the clock will continue to tick towards the next global crisis.

In order to address and answer these profound challenges, we propose to initiate a global process of consultation with major business and civil society groups, academics and regulators leading to a global summit in one year's time.

Stephen B. Young

A handwritten signature in black ink that reads "Steph B Young". The signature is written in a cursive style with a large, looped 'S' at the beginning and a long, sweeping tail on the 'g'.

Global Executive Director  
Caux Round Table