



Business, Sustainable Development and Prosperity - Part I



Arthur Dahl, author of the article

Excerpts from **The Challenge of Sustainable Development and Prosperity**

By Arthur Dahl, ©

This first part examines the concepts of prosperity and sustainable development and addresses the problems in the current system of business. In Part II the author will share a vision of sustainable development and prosperity for business through its alignment with moral and spiritual values.

The concepts of sustainable development and prosperity are fundamental to business success and longevity. Indeed, the ultimate purpose of business may well be to generate prosperity within a framework of sustainable development. The question is thus how to create the conditions to achieve this purpose.

Prosperity and sustainable development

Prosperity has multiple dimensions. Increasingly, it is recognized not only to include material well-being but also social and even spiritual progress. It also includes - or should include - environmental prosperity which we can define as keeping the environment rich and productive. Moreover, prosperity must also reflect the richness of the interactions among the members of society and the spiritual dimensions of the world they inhabit.

[There are several current definitions for sustainable development, but what is critical about any definition is that it refer to prosperity as a state that can continue indefinitely and apply to all. In other words, sustainable development has dimensions both in time and in space. It covers not just some small segment of the planet's population but everyone everywhere. And it is not just for now but extends into the future. This requires the transmission of experience and knowledge from generation to generation, so there is an education component. Without our knowledge, the next generation would have to start over.

Sustainable development is ... generally considered to have economic, environmental and social aspects, with sets of indicators reflecting the evolution within each one as society develops. Less apparent is the ethical component because sustainable development means linking its practical or material elements to human values. The act of looking at the needs of all the planet's people and considering the needs of future generations is rooted in ethics. The concept that whatever we do must be done for future generations as well as our own is an application of the principle of justice.

The role of values

Any effort to improve human relationships, human structures, or human institutions must begin by addressing basic values. ... Looking from this perspective at our present economic and business systems, our present rules and values are seriously dysfunctional. They are driving us in extremely unsustainable directions, environmentally and socially. They also are unethical. Our underlying values are rooted in 19th century Darwinian views of species evolving through survival of the fittest.



March for Social Justice in Washington, D.C.

Carried to a logical conclusion, the implications of such values are unacceptable in human terms. In purely economic terms, ... the unemployed and the impaired ought not to be helped because they burden society without contributing to production. Consider the recent example of a report submitted by a tobacco company to the Czech government that said tobacco use should be encouraged because earlier deaths would save considerable sums in pensions and health-care spending. When this report became public, the company apologized and withdrew it, but the episode demonstrates the ethical problems underlying purely economic thought. Business corporations are not held accountable for moral values, only for profitability. Their managers are judged only by that very narrow criterion. It is little wonder that they sometimes do extremely damaging things for society as a whole.

Problems in the present system

Our present society has fundamental structural and institutional problems that we must recognize and manage to resolve. We must change the basic operating principles and values of the structures of our society if we are to move in a more moral, ethical and spiritual direction. For instance, because the economic system only values what is marketed or traded, everything else is considered an externality of no importance to

economic analysis. A fundamental problem with economics is that it maintains inadequate accounts. Paying attention only to what has monetary value, economic analysis misses much of what is happening in society. It is like trying to take care of an automobile only by keeping the tank filled and ignoring everything else necessary to keep it running safely. Moreover, society also follows the wrong economic guidelines. Take a measure like gross domestic product. GDP is widely equated with prosperity: higher GDP means greater prosperity. However, GDP also grows because more people are suffering from the health effects of pollution; it grows if more automobile accidents occur requiring repairs, replacements and medical treatment. So GDP is no accurate measure of prosperity and ought not to be used to measure it.



Another problem is the importance that economists attach to growth. To them, growth is needed for success: a company has to grow, the economy must expand. But the planet is a limited system, and sooner or later we are going to reach its environmental limits. A related problem is consumerism, the pressure, through advertising and other exhortations to go out and buy, buy, buy to keep the economy going. A system that

pushes people to buy things they do not need, in a world of limited resources in which people are starving, is a system that has something structurally and fundamentally wrong with it.

The drive for increased productivity is another issue in which the logic of individual decisions has a perverse collective impact on society. Raising productivity is an economic imperative. A company must raise its productivity and reduce its labor costs to increase its profitability. Yet this ignores the fact that employees are also consumers. If the number of people earning wages declines, there are that many fewer consumers to buy products and services. It is a case of sawing off the branch you are sitting on. To benefit the economy in a real sense, why not seek to make everybody a consumer by ensuring total employment. Instead, decision-making in the corporate system moves in the opposite direction. This is encouraged by another structural problem in Western economies : the privatization of employment and the socialization of unemployment. In other words, companies reduce their labor costs in the short term by transferring to the government the cost of maintaining the redundant workers. Such a short-sighted system ignores the importance of work as a contribution to society and a spiritual obligation.

Then, of course, the economic system ignores the poor. Since they are not consumers, the poor are excluded or forgotten. Their presence illustrates a series of fundamental failures in present mechanisms for redistributing wealth within society. Any developed society considers extremes of wealth and poverty to be unacceptable. The poor cannot be left to die while the rich walk over their bodies, of course, so at least some effort is made to put the poor out of sight in some way. There is, however, a greater moral principle that requires some level of wealth sharing, and taxation systems are designed to do that. Yet, it is possible to escape taxation. With globalization, wealth creation is increasingly reported

not in the countries with strong tax systems, but in the Cayman Islands, Vanuatu and other so-called tax havens. Such avoidance of taxation is logical within a system in which the first priority is to maximize profit. Multi-nationals increasingly shift their real wealth creation out of places where taxation is heavy, escaping the mechanisms that allow restoration of the social balance. One of the most fundamental crises with globalization today is the breakdown of the mechanisms for redistributing wealth.

Nor does the present economic system assign a meaningful priority to the needs of the poor. Where there is no potential income, there is no market and, therefore, no business interest. As a result, there is little incentive, in terms of the profit motive, in developing medicines to combat the diseases of the poor who cannot afford to buy them. ... The profit motive, not the well-being of people or the overall benefit to humanity, pushes development towards high technology.

The questions posed by these problems are fundamentally ethical: How do we foster a new moral, ethical and spiritual foundation in business? How do we establish new ground rules for business to help it contribute to a more sustainable society? The root of the problem lies in the way in which economic institutions are structured. We need to explore how we can maintain the vitality of corporate structures and their ability to evolve quickly, but within a framework built around ethical, moral and spiritual values that will help the system work effectively for society as a whole.



Business, Sustainable Development and Prosperity - Part II



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Part II

Part I contained an initial analysis of the problems in the current system of business. In Part II the author shares a vision of sustainable development and prosperity for business through its alignment with moral and spiritual values.

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New values for business

Let us [now] examine the necessary new values and operating principles that would underlie a more sustainable society. On the individual level, they are readily apparent: if we want to improve human relationships we need more love, more altruism. We need a sense of justice, a willingness to share wealth and make sacrifices. We need a sense of solidarity with the human race, a sense of serving all humanity. We need a more spiritually oriented work ethic, a sense of moderation and contentment with fewer material goods. If we want to achieve sustainability, if we want to share resources effectively around the world and allow everybody to develop so that wealth is open to all, we must change our values with respect to material things and adopt a willingness to see wealth redistributed in order to reduce the dangerous extremes of wealth and poverty. We must become trustworthy and more respectful of creation and all that surrounds us. At the individual level, the more we can strengthen those values in each of us, the more we shall be equipped with the right kind of operating principles to build a sustainable society.

The same is true institutionally, since these same values can be applied to business. We can, at the business level, create a sense of service to society, recognize that business does not exist just to make money, but also to serve society. We can build the value of service into business. Business systems can easily adapt to a service orientation, but only if the goal broadens beyond profit seeking. The principle of justice also has applications in business. These applications include sharing profits with all the corporation's workers and involving them in decision making.

Business also needs to pay more attention to the sustainable management of natural resources. These should be considered as capital accounts. As with managing any other capital account, net losses are to be avoided. Business activity should produce no net loss for any of its capital accounts, be they economic accounts, human accounts or resource accounts. In the same way, businesses should avoid any net transfer of costs, or capital losses, to future generations or other parts of the world.



Bristol (U.K.) Farmer's Market

Let us consider the market mechanism as an example of how values influence the economic system. Markets are based on competition, and all too often on some form of manipulation. A used car salesman may, for example, hide the fact that a vehicle he seeks to sell at the highest possible price has been involved in an accident that produced

damage not visible to the potential buyer. Moreover, in sectors in which there are few competitors, price-fixing may be arranged to increase revenues for each participant in the scheme. Absent ethical values, or effective outside regulation, markets may seem more competitive than they actually are, just as the damaged car may appear better than it really is. But markets work best if they operate on principles of truthfulness and open consultation. Market theory is based on perfect information, but available information is rarely perfect. Prices would be set more fairly, for example, if the seller openly shared the real cost of production and the buyer fairly portrayed his or her need for the product. Consultation fosters the setting of a price that fairly balances the seller's cost and the buyer's need in terms of willingness to pay. Just so, the market would work more effectively if it were infused with a spirit of collaboration and consultation rather than, as at present, with a competitive spirit seeking to see which sides can best the others. In short, it is not so much the mechanics of the economic system that are wrong, but the values that underlie it.

Towards a more sustainable society

How do we apply these values to make society more sustainable? If we are to overcome the present fragmented approach to decision-making, we need more consultative mechanisms between businesses as well as between business and government. If we are to make decisions that involve whole systems or resources, we need to devise mechanisms and processes to make possible consultation among all stakeholders. Consultation and communication offer the means of overcoming the compartmentalization of society into isolated domains, each of which seeks to maximize its own particular area without collaborating with the other domains.

We need to find ways to make decisions within a planetary perspective, since we are dealing with a global system. Planet Earth is one country and, therefore, we need to be able to integrate decision-making up and down the various component levels - international, national, regional, local.

... [B]ecause there is no global system of taxation, we have no way of paying the costs of global governance. The United Nations must go begging to national governments for the money that it needs to pay for performing essential services at a global level. Every national treasury weighs national priorities higher, generally with an eye to the next election. This is no way to manage society globally. We must find better ways to deal with issues of taxation and redistribution at that level.

Businesses need fairness operating on a global basis. They have difficulty dealing with differing regulations, corrupt systems, and so forth. It is, therefore, in the interest of business to strengthen global mechanisms and establish a level playing field. To achieve that, it would be reasonable for businesses to pay taxes, assuming, of course, that the taxes were applied fairly. As business becomes more enlightened, it will become a leading force to establish effective global institutions, since these institutions will be good for business. Governments hold back for fear of losing power and eroding national

sovereignty. ... Businesses are, in many ways, well placed to lead the effort to build the structures all of us need to make this system operate more effectively on a global basis.



Environmental monitoring in Ontario (Canada)

We must also look at another dimension, that of empowering the poor. We must learn how to involve poor people directly in their own development, without imposing on them our own view of development. ... One tool for accomplishing this derives from the principle of the independent investigation of truth: it is the recognition that science is for everyone. Once we all become accustomed to thinking scientifically and in terms of process, we will understand how to monitor the environment, observe the changes taking place, and adjust our behavior accordingly.

The business community has a key role in helping us view life from a systems perspective, a perspective which is essential as we move towards a more sustainable society. We shall achieve that by getting the basic working rules right and then letting the system evolve. If our greatest challenge lies in the economic arena, it is because the present rules governing its operations are so at variance with society's real needs. As we build more sustainable businesses, we create more sustainable economies. And we set in motion the processes necessary to achieve a more sustainable civilization. That is our goal.