

## THE CAUX ROUND TABLE PRINCIPLES: A SOLUTION FOR THE INTERNATIONAL ECONOMIC AND SOCIAL CRISIS?

Petru BARDAȘ<sup>1</sup>,  
Simona ROTARU<sup>2</sup>,  
Mirela GHÎȚĂ<sup>3</sup>,  
Mihaela COCOSILA<sup>4</sup>

**Abstract:** *In an European and international economy, seized by the perpetual globalization fever, with an appetite for consumption, a culture was born, one of “the adolescentism” that stimulates greed, where the contemporary man is determined by the will of possession, not ideals, a culture that has contaminated the whole world.*

*Greed is responsible for the economic power excesses; the immoral actions of Enron and WorldCom, other abuses from the speculative investments area and also the increased poverty in important areas of Africa, Asia and Latin America are sources of powerful social agitations.*

*This has led to the need of changing the governmental principles of the “wild capitalism” theorized by Andrew Carnegie and Erbert Spencer, with principles of a moral capitalism, based on the Caux Round Table governmental principles, that remained since its publication, nine years ago, the only set of standards of corporation social responsibility, proposed by leaders from the entire spectrum of business leaders.*

**Keywords:** the social darwinism, the wild capitalism, the popular capitalism, the principles of the caux round table

**JEL Classification:** A10, H12

---

<sup>1</sup> *Spiru Haret* University, Bucharest, Romania, bardastehnorob@yahoo.com

<sup>2</sup> *Spiru Haret* University, Bucharest, Romania, simona\_rotaru\_ro@yahoo.com

<sup>3</sup> *Spiru Haret* University, Bucharest, Romania, mire\_ghita@yahoo.com

<sup>4</sup> *Spiru Haret* University, Bucharest, Romania, cocosila\_mihaela@yahoo.com

## ***1. Introduction***

In the European and world economy, the globalization promotes a culture that discourages the individual and collective options to the “own interest taken into consideration from the perspective of the whole”.

The appetite for consumption has developed a global culture of the “adolescentism” that stimulates greed (Cashmann, K., 2001, p. 18).

The development of the production capacity makes the contemporary man determined by his will to possess as many fortunes as possible, for his comfort and material safety. He’s not led by ideals anymore.

As a result, “the adolescentism” has appeared a phenomenon that characterizes the middle class category, marked by the impetuous consumption, the lack of responsibility, the indifference to our own kind; the culture that has contaminated the whole world. The “rebel without a cause” type, like James Dean, Elvis Presley, The Beatles, has conquered the world through American radio and TV channels. The parental authority reduces its authority, with the exception of the Muslim, Protestant and Judaic religious communities.

The adolescentism, specific to an age between childhood and adulthood, is characterized by the temptation to overspend in order to satisfy the identity need, by avoiding the responsibility of adulthood.

The Americans from the adolescentism era are old aged by now; their children, born after the fifties, maintain these attitudes and create around them the cultural space, looking for the material resources needed to avoid the adulthood responsibilities.

In business, they use their careers exclusively to their personal purposes, being oriented towards their own identity deficiencies.

Greed is responsible for the economic power excesses; the immoral actions of Enron and WorldCom, other abuses from the speculative investments area and also the increased poverty in important areas of Africa, Asia and Latin America are sources of powerful social agitations.

## ***2. The bases of adolescentism in the wild capitalism culture***

In 1840, Karl Marx and Friedrich Engels have published their urge to revolution in the “Communist Party Manifest”, after years of objections to the capitalist way of property. In these conditions, Herbert Spencer contradicts Karl Marx and proposes a new discipline, sociology, and a new way of approaching the social problems.

Applying Darwin's theory, Spencer scientifically argues that men are a branch detached from the animal reign, whose laws should be applied to their activity, too. Each human being should be considered a natural biological organism, too, which competes in an inevitable fight to survival with other human beings and other autonomous biological organisms. Competition would be a nature law and would stand at the natural selection basis; each human being, each animal must fight for survival. A tough capitalism is analogue to a no rules boxing game, therefore the need for power and freedom of the species alpha male, "homo sapiens", which plays the head of family, but also the conqueror role.

The birth and unexpected fall of the Enron Company can be seen as a case study of applied "social Darwinism", a name that will be later given to Spencer's theory.

In 1888, Andrew Carnegie writes in "Triumphant Democracy" that human beings are different, determined to live their life in their own way, as per their own nature. According to Andrew Carnegie, the survival of the strongest principle speaks about those plants, animals and human beings exceptionally gifted with the needed elements that distinguish them from the standard; they are the fertile forces that animate everything (Carnegy, A., 1933, p. 12).

After the Second World War, the social Darwinism has evolved under the conservatory movement form that had as objective the limitation of the state, as law authority. Spencer's theme has been resumed by Fredrich Hayek, Russell, Kirk, Leo Strauss, the intellectual founders of the modern conservatorism.

Professor Milton Friedman, of University of Chicago, has stated, with logical arguments, that the best way to obtain social justice was to eliminate the regulations and to relate exclusively to the market forces.

In politics, Berry Goldwater's company brought the Spencer way of thinking in elections in 1964.

Sixteen years later, Ronal Reagan will win the presidential elections on the basis of a softened Spencer conception, by promoting the fiscal relaxation and the free market based individualism. That Spencer influence was present in the youth movements of the late sixties, through the need to self express, to free themselves of any social constraints, since they were in conflict with any form of authority, inclusively their parents. There is something natural, wild or even brutal in these movements, trying to destroy the formalism that characterized the society.

Robert Green, one of the new theoreticians of the wild capitalism, flirts with the idea that only deception and manipulation survive in the life competition for trophies. Instead of winning through arguments, complying or feeling guilty, he advises us to impose ourselves through force. There is no word about reciprocity, moral sense or obligations correctly and loyally fulfilled, with desired abilities to success.

Therefore, the wild capitalism restricts the role of the law and the state's institutions, by decreasing the role of the moral self-control and the concern towards the others.

Being an extreme form of behavior in business, it prioritizes the interest, in relation to law and virtue.

We experience, directly or indirectly, the costs of the wild capitalism, through the series of financial bankruptcy and fakes at ones of the most powerful companies in the entire world:

- Enron- frauds, registered in the company balance sheets with losses of billions of dollars, because of the devaluated stocks;
- Enron and other energetic companies-the manipulation of the energy market in California during the 2000-2001 crises;
- Xerox- billions of dollars of incomes obtained through the overestimate of the financial value of some actives;
- Credit Suisse first Boston- practices of preferential stocks allocation for a freshly established stock society, launched on the stock market;
- ABB Sweden- the sale of obligations at half of their value has led to the stocks price reduction from 55 to 30 Swedish crowns; the clients have abandoned the company and the main production lines have been closed;
- The insurance HIH Australia group has gone bankrupt as a result of a 3.1 billions of dollars debt, after having underestimated some debt-claims and financial debts;
- SK Global, South Korea- the overestimation of the 2002 incomes, with a cash crisis.

The list is very rich in examples; there are some bankruptcies and reorganizations from our country to be included, also.

In conclusion, the wild capitalism is a form of business behavior, which prioritizes the private interest in relation with the public one.

On the other side, the communism rejects the free market and the human being dignity.

There is also a third solution, between those two extreme variants: the moral capitalism.

### ***3. The moral capitalism: using the private interest to serve the public good***

#### *3.1. The free markets promote the moral behavior*

The German philosopher, Hegel, thought the private property was necessary to the moral behavior (Hegel, G.V.F., 1996). According to Hegel, people need to imprint the world, which is possible only when a part of it becomes ours, out of the other's power of control.

The private property on things has an important place in the moral theory, as possessing a property enforces more obviously the dignity of each one of us.

The moral choice implies that people be in the position to choose, that they dispose of the needed force or power to change things.

Since it allows more people to obtain the necessary ways to express their values and moral inclinations, the capitalism serves a moral purpose.

The free market really promotes the moral behavior in the relationship between buyers and salesmen. This capacity of the free market offers a second ethical foundation for capitalism, that can establish a bridge between virtue and own interest. The market can not survive the lack of trust; the law states that contracts achieved through fraud, deceit or inequitably transactions are null. In the capitalist system, free market based, the individualism is well received. This system rewards innovation and free initiative, the individual capacity of being in step with standards, in order to fulfill the market needs and demands.

#### *3.2. A culture of responsibility: the path to the moral capitalism*

The free markets aren't always capable to balance the actions of the moral capitalism representatives.

In order to develop the moral capitalism, the business men must share an adequate culture.

The social capital is a necessary component in the business society. The nations that dispose of a bigger and richer social capital will enjoy more prosperity in business. Although business plays an important part in sustaining a nation social capital's vitality, the governments have the most important responsibility in creating the progress's necessary conditions. The popular

capitalism can not be developed in a country with a corrupt government that violates laws and wastes its tax payer's money. An indispensable condition of the moral capitalism is a government that implements well thought norms of social justice: the private capital investments can not defeat an irresponsible government's poverty and corruption.

The most important conditions to develop the social capital are:

- the political stability, the assurance of a high level of safety;
- the governmental clerks must not let themselves tempted by corruption, the “godfathership capitalism” is a curse in a prosper economy development;
- the assurance of a basis infrastructure, capable so ensure the business needs;
- a functional civil society that must ensure the reign of the state subject to the rule of law, by respecting the law of contracts;
- an adequate level of education to sustain the economy constant development.

#### ***4. The Caux Round Table: a plea to moral capitalism***

The moral capitalism can not emerge out of thin air; business men must be encouraged to embrace its central principles, in order to set into motion the economic activities.

The creation of the moral capitalism is an act of culture. Starting from this premise, the “Caux Round Table Principles” were published for the first time in 1994, in order to improve the world business culture.

The “Caux Round Table” organization gathered for the first time in 1986, at the initiative of Frederick Philips, the Philips Company CEO, who invited several business men and distinguished personalities from Japan, Europe and America to discuss about the xenophobe behaviors that divided the electronics and cars industry. The Japanese industries were very successful on the international markets. Frederick Philips initiated a dialogue to appease the fury that kept the Japanese companies out of the European and American markets and the American products out of the Japanese market. Olivier Giscard d'Estaing, vice-president of INSEAD, the famous French business school, also joined the project.

The true fellowship atmosphere of 1986 convinced the participants to annually return to Caux, in order to raise the professional level of

international business. In that moment, the group leadership was taken by Ryuzaburo Kaku, Canon Inc. CEO, who shared his strategic vision to the “Caux Round Table” personalities, named by him “kyosei”, that meant, in a simplified translation, “to live and work together for the common good”. In 1991, at Minnesota, Kaku presented his kyosei management conception, on the bases of which were drawn up the “The Caux Round Table Principles” in a first draft, based on the Minnesota principles regarding responsibility towards the co interested groups, its vision about the Kaku type management according to “kyosei” and the human dignity principles, proposed by Pope Joan the Second.

“The Caux Round Table Principles” document contains an introduction, a preamble, a set of seven general principles and six sets of principles dedicated to the relationship with the co interested groups, special principles that aim at the companies responsibility towards employees, owners and investors, suppliers, competitors and communities.

## **5. Conclusions**

It is remarkable that, in the nine years sine its publication, “The Caux Round Table Principles” have remained the only set of standards of social corporation responsibility, proposed by business leaders, the most complete decision instrument built on principles of business social responsibility.

In the transition economies case, the development of a moral capitalism, instead of a “godfatherhood” or wild one is a proper solution in order to apply these principles.

## **Bibliography**

- Bernard, C., (1986). *Theory and Function of the Executive*. Cambridge: Harvard University Press.
- Carnegy, A., (1933). *Proplems of Today*, Doubleday. New York: Doran&Co.
- Cashman, K., (2001). *Leadership from the Inside Out*. Provo: Executive Excellence Publishing.
- Collins, J., (2001). *Good to Great*. New York: Harper Collins.
- George, W., (2003). *Authentic leadership*. San Fransisco: Jossey Boss.
- Hegel, G.V.F., (1996). *Principiile filosofiei dreptului sau Elemente de drept natural și de știința a statului*. București: Editura IRL.
- Senge, P., (1990). *The Fifth Discipline*. New York: Currency Doubleday.