Review of Nominations and the Role of Science and Law in Initiatives like Public Eye

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Debunking the business case for ethics

The discussion on Corporate Social Responsibility, in academia as well as in business, is still dominated by the belief in the so called business case for ethics. Acting responsibly, it is said, is profitable business in the long run. Maximizing profits, truly, not myopically, thus can never be ethically wrong.

Equipped with this ideology, businesses are allowed to go on in maximizing profits, reaping the highest possible return for investors, including hit-and-run investors and *their* long-term balance sheets. These investors, for whom there is no such thing as excessive profits, have been enthroned as the "principals" of business, with management expected to act as their "agents", treating all other stakeholders as "resources" for yielding maximum profits.

The Public Eye Awards, year by year, debunk this economistic ideology of a business case for ethics in practical terms. The seven nominees for this year's hall of shame of corporate misconduct and ruthless practice are all highly profitable companies. Their combined profits are to USD 43 billion. At least in part, they are profitable because they have acted irresponsibly. Profit maximization, as opposed to profit making, by definition, leaves no room for moral integrity. Profit maximization is the paramount cause for irresponsible corporate behaviour.

Radical profit maximization at work

Radical profit maximization might include, for example, bribery and consciously calculating the risk of fines for bribery, as seems to be the case with Alstom. As long as the fines are lower than the profits reaped from privileged access to public tenders, this strategy will pay out. The more coarse ways of corporate greed can be found in the extracting industries, where, despite high profits, cost cutting at the expense of workers, communities and the environment is the rule rather than the exception. Sometimes companies do not even shy away from some form of complicity in first-order human rights violations, which interfere with the integrity of the human body.

On the side of white collar crimes, the impertinence of Goldman Sachs' clandestine practices of deceiving everybody else except the current confidant – like Greece in hiding the size of its debts – is breathtaking. Of course the people at Goldman Sachs know for sure that their stellar profits and bonuses in the end are to be paid by the dumb taxpayer.

The responsibility of academia

Where do these people learn to act like this? They learn it at business schools which rank closer to the top the more money their graduates make once they enter the world of business and finance. These people are talented in extracting money. They learn not just to make, but to maximize profits.

"Studying economics", Gregory Mankiw writes in his bestselling textbook "Principles of Economics", "will make you a more astute participant in the economy." The students are equipped with the tools and with the mindset of how to become rich. As "agents" they become rich by making investors rich, via "incentives" and profit related bonuses. No wonder that they, once in charge, disregard the needs and rights of vulnerable stakeholders.

Business administration today is taught as a matter of course at universities worldwide. In the early years of its establishment, it was widely accepted that business education has a proper role to play at a university only "if its purpose is to train 'heads' or future leaders in business", as an assistant dean at Harvard Business School put it in 1926.[1] "If its purpose is to train 'hands', or technicians, or merely

[1] Rakesh Khurana: From Higher Aims to Hired Hands, Princeton and Oxford 2007, p. 5.

successful money-makers," in the judgment of this dean, "the course has no place in a graduate department of a university."
But that's exactly what happened. Mainstream neoclassical economics gave the neoliberal legitimation, and management theory, without any critical reflection, gave the tools for just *how* to maximize profits in an ever more radical fashion. That profits are to be maximized is the tacit assumption of studying business. MBA-graduates are hired by greedy investors as "mercenaries", as MBA-critic Henry Mintzberg puts it. "We are in it for the money" is their rule of conduct, even when they are responsible for the well-being of thousands of workers, customers and other people affected by a corporations' operations.
Today, studying economics is a kind of brainwashing. This must come to an end. At least some paradigmatic pluralism is desperately needed in the economics departments. It is not just about some MBA-oath that graduates commit to uphold to after graduation, without any change in the messages and the tools given in studying economics. Rather, ethical reflection, true integrity and the awareness that it is not just shareholders who have legitimate rights, must become an integral part of the economics curricula. The profit principle needs to be dethroned. Only then there is room for ethical considerations and true corporate responsibility.

The need for global regulation

Why are despicable corporate practices like the ones deployed by the nominees not remedied by appropriate regulation? The main reason is that economic globalization put states and national politics under competitive pressures. Instead of being "designed to advance the good of its members and [being] effectively regulated by a public conception of justice", as John Rawls defined a "well-ordered society", nations are effectively regulated by their ability to attract globally circulating capital and incomes. The paramount and pre-determined objective of nearly all national politics is the global competitiveness of the nation. The result is that democracy becomes hollow.
For example, global competition most probably contributes to the failure of the Indian government to put an end to the devastating operations of the Coal India. Its low-cost operations on the backs of workers, communities, and the environment supply the Indian economy with cheap energy.
In 2005, after decades of efforts by the United Nations to regulate TNCs on a global scale, the widely approved "Draft Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights" failed. This was the heyday of neoliberalism and the ideology of laissez-faire and anti-regulation, which had afflicted nearly all political parties. These norms would have been the blueprint for the first global regulation of corporations in human history. Their establishment would have put an end to playing off nations against nations at the cost of ethical standards.
Ruthless competition that disregards human rights and environmental standards via non-regulation and the race to the bottom in standards of good corporate conduct must come to an end. So-called voluntary standards of corporate responsibility are a good start, provided they are not mere tools of washing corporate conduct green or blue, and not merely designed in order to forestall the establishment of more serious rules for the competitive game. But ultimately they are way too weak to tame the harmful competition between nations for the lowest standards. That is why more than 50 civil society organizations in Switzerland initiated the campaign "Corporate Justice – Rules for Business. Rights for People", urging the Swiss government to establish legally binding rules of corporate responsibility.
This would be quite an easy task for Switzerland, a very rich country that attracts many TNCs to set-up their headquarters within its borders, then allowing them to reject the due moral responsibility for the operations of its subsidiaries especially in much poorer developing countries. If adopted by Switzerland, this initiative might become a model for other nations, re-inspiring the spirit of a global regulation of businesses on a global scale.
Truly responsible corporations would applaud this step, as it would free them from the dirty competition of corporate wrongdoers.