

NAME/TITLE

World Economic Forum: Global Agenda Council on Values: A New Social Covenant

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Contributors, funders, political or ideological position

The World Economic Forum is an independent international organization committed to improving the state of the world by engaging business, political, academic and other leaders of society to shape global, regional and industry agendas.

ABOUT/KEY MESSAGES (in its own terms)

The world is facing a series of difficult challenges and adjustments: We face a broken social contract and declining social trust in developed economies.

So this is our call: for a period of intentional, global reflection on the values we bring to the largest decisions of our time. A method to foster that reflection is the development of a New Social Covenant.

Does this initiative offer any compelling narrative for business leaders in particular, i.e. about the purpose and role of business and financial institutions, about values and ethics, about the relationship between business and society?

It is time to move from a narrowly defined shareholder economy to a stakeholder economy that includes workers, consumers, rights advocates, the environment, and future generations -- all in our economic calculations and decision-making.

WHAT QUESTIONS IS THIS INITIATIVE TRYING TO ANSWER? WHAT PROBLEMS IS THIS INITIATIVE ADDRESSING/ATTEMPTING TO SOLVE?

The broken social contract

The collapse of financial systems and resulting economic crises has generated a growing disbelief and a fundamental distrust in the ways things operate and how decisions are made. Old social contracts have unravelled. Former assumptions and shared notions about fairness, agreements, reciprocity, mutual benefits, social values, and expected futures have all but disappeared.

The historic social contract between business, government and society seems to be broken, and the legitimacy of corporations has reached a new low point, with business running the risk of losing its license to operate. We see a growing public indignation at the perceived disconnect between perks for a few and the rights of many. Citizens are demanding more collaborative, sustainable and inclusive methods of value(s) co-creation.

Over the last 20 to 30 years, we have witnessed a massive breakdown in trust between citizens and their governments.

We have economies that are widely seen as unsustainable, unfair, unstable and deeply unfulfilling. ... The economies of the advanced industrial countries have in general been constructed with a view to short-term efficiency rather than resilience. Indeed, longstanding

institutions [such as labour unions] and practices that were intended to secure stability have been attacked explicitly on the grounds that they undermine efficiency ... economic elites now exert extraordinary influence over economic affairs.

Inequality

The issue of inequality has more recently commanded public attention, due in great measure to the “Occupy” international movement. Until now, the subject has been the elephant in the room in our discussions about the economy that few wanted to say out loud. This has given voice to the unspoken feelings of countless others that something has gone terribly wrong in our societies.

Loss of Trust

But underneath all that, a deeper issue of “trust” is being raised—that leaders have betrayed the public trust, that systems aren’t fair, that the rules of the game don’t apply to the people at the top, and that most other people are really on their own in this modern economy.

Stakeholder economy

“Short-termism” is regularly critiqued in the broad conversations about values at Forum meetings.

HOW DOES THIS INITIATIVE IMAGINE CAPITALISM WILL BE DIFFERENT IN THE FUTURE?

The most pertinent new principles for corporate design for multi-stakeholder companies are those produced by the Corporation 20/20 initiative of the Tellus Foundation in the USA.:

1. The purpose of the corporation is to harness private interests to serve the public interest.
2. Corporations shall accrue fair returns for shareholders, but not at the expense of the legitimate interests of other stakeholders.
3. Corporations shall operate sustainably, meeting the needs of the present generation without compromising the ability of future generations to meet their needs.
4. Corporations shall distribute their wealth equitably among those who contribute to its creation.
5. Corporations shall be governed in a manner that is participatory, transparent, ethical, and accountable.
6. Corporations shall not infringe on the right of natural persons to govern themselves, nor infringe on other universal human rights.

WHAT RECOMMENDATIONS DOES THIS INITIATIVE MAKE FOR THE VARIOUS ACTORS

We believe that a new Social Covenant between citizens, businesses, and government urgently needs to be designed. We believe that this should be a Covenant not a Contract as values and trust are much more important in a Covenant than in a Contract. A contract is transactional; while a covenant is moral. By definition, this will require the engagement and collaboration of all stakeholders –governments, business, civil society groups, faith groups etc. Such Covenants will vary from country to country, and it is not possible to be prescriptive about either content or process. It is expected though, that certain universal values, such as the dignity of the individual, the primacy of promoting the common good, and the responsibility for stewardship of the planet, will feature in all of them.

National governments/regulators

Trading corporations/business leaders/collective business institutions

Investors: individuals and institutional

Financial institutions

International institutions

Does this initiative have anything to say about major medium to long term economic and social issues

- Supplies of the essentials of life: Food, Water, Housing, Energy and Transport
- Climate change, resource depletion, loss of biodiversity
- Population growth and demographic change
- Economic growth, innovation, employment, the distribution of income and wealth
- The governance of business and the financial system; public trust
- The respective roles of government and business
- The respective values of economic, social and environmental capital