The work of the Caux Round Table for Moral Capitalism (CRT) is to build a knowledge and values coalition in as many countries as possible that provides sound guidance on how to maximize the “good” which comes from Capitalism.

The 1994 CRT ethical principles for business brought together three moral traditions: *Kyosei* from Japan, a commitment to respect human dignity from Catholic Europe, and worldly stewardship from Protestant America. The early conveners of CRT round tables were business executives, not moral philosophers or theologians. They took ethics in a very practical sense as how business brings about good and avoids harm to its stakeholders.

What was then considered to be business ethics later became CSR and now is widely known as sustainable development or ESG (Environment, society and governance) for investors and asset managers.

**The CRT vision**

The CRT has convened round tables and published commentaries since 1994 to obtain learning from different cultures and religions which can resonate one with another to explain why 1) a moral capitalism would be beneficial to our global community and 2) how it can be practiced by companies.

The fundamental challenge of promoting Moral Capitalism in a global community today is to answer the question of “Who decides what is moral?” Should it be the Americans for their success or should it be the newer Chinese model of state capitalism under the direction of a vanguard party? What about the wisdom tradition of Islam with
its prohibition of charging interest? Or, Hinduism, or Japanese Shinto with its respect for nature? Should we leave the decision as to a moral code for humanity to a vote of the General Assembly of the United Nations?

The rather unique methodology used by the CRT in its work is the round table where discussion flows freely in an atmosphere among those sitting around the table of mutual respect. Each person is given the floor to make any contribution he or she wants to bring forward. The sessions do not rely on experts giving their professional opinions for others to study as everyone around the table is considered an expert and a peer of all the others in the conversation. Thus, we have created moral spaces where the ideas and ideals of different people, different cultures and different generations can be put on the table for the education and stimulation of the group. At the end of a round table the more fundamental propositions presented are written down in a statement we call a “Proceedings”. No votes are taken so there are no formal majority and minority opinions. CRT round tables seek a natural convergence of concerns and insights.

Since 1986 the CRT has held annual global dialogues for participants to reflect on the moral and ethical aspects of global capitalism.

Thus, in 2015, the CRT convened 22 round tables in different cities to reflect on the proposed United Nations Sustainable Development Goals which were to be adopted by the General Assembly that October. The proceedings of the different round tables were blended into a White Paper showing support for sustainable development in many wisdom traditions.

CRT round tables have produced proceedings on Qur’anic support for Catholic Social Teachings, understanding of covenants made by the Prophet Muhammad with Christian communities, common East Asian moral frameworks shared by Chinese and Japanese wisdom traditions, a statement of Protestant social teachings which value personal stewardship in decision-making.

The CRT assumes that ideas are important; that understanding must precede good decision-making; and that business and finance are not less in need of good ideas and understanding than politics and culture. The CRT also believes that, while cultures generate many unique and rich ideas and understandings, dialogue and trust can draw together persons of different points of view in common effort.

The ethical observation might be that just because some insight is given the label of “Buddhist” or “Christian” or “Japanese” does not mean that its use and impact are restricted only to “Buddhists” or “Christians” or “Japanese”.

Are we to live under a cultural hegemony — that of the West, of Salafi Islam, of China having a priority over All-Under-Heaven? Is there to be a single source of value for all humanity that would confirm some goods and
services as meritorious or would assert that some private goods are without question really public goods or quasi-public?

Or, are we to live under a pervasive global nihilism where all values are legitimate, in a Hobbesian war of all-against-all where the battle is only to the strong and the race only to the swift, where the life of all - except for a few elites with Big Data driven police powers - will be “solitary, poor, nasty, brutish and short”?

The CRT believes in a third alternative: seeking a common core of human values on which to rest our decisions — sort of an all-embracing Tao or Dharma.

From a theological perspective, this common core is only in the realm of what Calvinist Christians call the realm of Common Grace. Common Grace is the created world in which we live. It does not embrace our theological questions and beliefs about the hereafter, about the truth of God, about why we came to be and where our spirits will find, or not find, ultimate repose.

Ethics, though often derived from theological convictions, is this-worldly. It concerns consequences over which we have control. It speaks to our decision-making prowess. It is existential and a praxis.

The CRT has through the study of texts and round table discussions looked successfully for common themes for ethics from many wisdom traditions.

We have found in East Asia many insights and understandings which embellish ethical thinking coming from other regions of human cultural development.

Thus, we have brought together scholars from China and Japan to consider what frames of thinking bind these two cultures together and which can provide behavioral considerations for all cultures as well.

My summary of that round table discussion was:

1) A Humanism embedded in conditional reality

2) Humanism requires a spiritual/moral/social/emotional intelligence in each individual (Xin, Ren Yi in China)

3) Aspects of Embeddedness (interlinkages between and among life forces):
   a. Nature/ecology
      i. Kami-thinking in Japan; Dao-thinking in China
ii. Reality beyond words
iii. Reality beyond logic of the mathematical mind
iv. Reality beyond our rational control
v. Need discernment, clarity of mind

b. Search for harmony and/or balance
   i. Doctrine of the Mean in China
   ii. Kyosei in Japan

c. Shu — reciprocity; Omoiyari — traditional ethics preserved in some Japanese companies

4) Personal capacity to be obtained through self-development of spiritual/moral/social/emotional intelligence
   a. Ren Y in China
   b. Ability to apply Kyosei; acquisition of Bushido disposition in Japan

In China, the CRT has collaborated on a book of scholarly essays on the ancient thinker MoZi. MoZi’s recommendations for state control of society stand in contrast to the approach of the CRT principles which align better with the guidance provided by Confucius in the Analects and by Mencius. Both the text of the Analects and the Mencius presume the efficacy in each person of a moral sense the Xin. MoZi, like Thomas Hobbes in England, has no confidence in individual human capacities for restrain of beastial inclination to harm others. Further, the CRT has drawn attention to the Doctrine of the Mean and the YiJing as seminal Chinese contributions to a global ethic of reciprocity and moderation with concern for others.

With respect to Islam, the CRT has written essays on Qur’anic guidance for good governance in a concept of stewardship — Khalifa — using our gifts from God as trusts for the benefit of creation and avoiding the hubris of personal egoism in making judgments in the place of God.

In Thailand, the CRT has worked with Buddhist scholars in study of the Dharma as applied to sustainability decision-making. The recommendations of the late King, Rama IX, for a sufficiency economy as a Middle Path incorporating the virtues supporting making decisions according to the Noble Eightfold Path were promoted in many of our commentaries and recommendations to the United Nations.

The CRT has also sought to draw learning from Catholic Social Teachings and Protestant Christian teachings on ministry and vocation.

Annex I below shows too simplistically the alignment of the CRT’s seven principles for business with 11 wisdom traditions.
In formulating its proposal that capitalism should be moral to be successful, the CRT seeks to promote a dialectic between self-interest and virtue, believing that self-interest on its own leads to self-destruction when divorced from virtue and that virtue when left un-energized by personal commitment from deep within the self is of little consequence.

Private well-being cannot be had without social facilitation while collective well-being cannot emerge without individual efforts. As the American philosopher William James argued: “The community stagnates without the impulse of the individual. The impulse dies away without the sympathy of the community.”

Thus, the CRT links the success of capitalism to promotion of moral factors of engagement with stakeholders — to the development of intangible capitals such as social habits, human talents, governance practices, intellectual creativity — to optimize the assets to be created through market transactions. The CRT believes that value is at once both monetary and psycho-social.

The CRT starts with the proposition that any Moral Capitalism would seek the production of meritorious goods and services, which is to say the production of goods and services which enhance advantages and minimize disadvantages to individuals and communities. A Moral Capitalism should be in service to human flourishing at individual and collective levels.

Public and Private Goods and Services: What Should We Value?

Another overlapping way of defining the ends of any Moral Capitalism is to consider the function of business ethics or corporate social responsibility. I define that function as mediating between private firms and public concerns, protecting private firms from being submerged under public concerns while protecting public concerns from being sabotaged by private firms.

The outputs of private enterprise can be considered, and have been, as essentially private goods subject only to market demand or as having the quality of public goods subject to social regulation through government. Moral Capitalism, therefore, might have the function of subjecting private goods to community values and priorities, thereby converting private goods into public ones.

Private enterprise does not have modern society all to itself. There is government and there is, increasingly, civil society. Private enterprise seeks profit within the rules and regulations set down by government and ingests the social capital provided by civil society. The interactions among business, government, and civil society need constant mediation as a function of successful business enterprise. Such mediation, I suggested, is the function of CSR.
But what, exactly, should Moral Capitalism mediate? The morality of global capitalism is not a production function delivering the goods and services of private enterprise, though it influences the substance of such outputs. It is not corporate governance precisely, though it shapes governance policies and procedures. It is not any of the traditional fields of study in business schools: human relations, operations, finance, marketing and sales, strategy and organization; though it intrudes into each of these practical disciplines.

Mediation is a process only. What does Moral Capitalism have to say about the direction of mediation in any given business decisional situation? How domineering should the company be towards government and civil society? How submissive? Be nice to its stakeholders? Care about the environment? Be a good citizen? Where are guidelines for such policies and decisions? Should the company be more forthcoming or less? Raise prices or lower them? Add costs or turn its back on external concerns and keep the cost of its goods and services as low as possible?

Mediation as a function is not a rule of conduct; it is not a set of ten commandments or a noble eightfold way that would apply under all circumstances as the definition of the right thing to do. It is rather a form of discourse ethics where issues have to be spotted, analyzed, and addressed.

So, then, what actually is the subject matter specific to Moral Capitalism mediation?

I would like to suggest that there is a special character to Moral Capitalism concerns within its task to mediate for the private enterprise with other social sectors. Moral Capitalism monitors the boundary between private and public goods, providing legitimacy where necessary for private goods and for public goods when also necessary. Moral Capitalism requires negotiation and modification of private goods to give them an acceptable public goods value added, which often means preventing private goods from becoming public “bads”.

Private goods are:

Transferrable in a market. They can be priced and exchanged. A loaf of bread is a private good; its owner can exclude others from using it, and once it has been consumed, it cannot be used again. Private goods are conveniently the subject of personal ownership; they admit to designation as “mine” or “yours” and come within the reach of having a title that permits an owner to exclude all others from possession, use and enjoyment. With ownership, we can exclude others. Also, with ownership people are in rivalry with one another to get their hands on the good or enjoy the service. For example, if one individual visits a doctor there is one less doctor’s visit for everyone else, and it is possible to exclude others from visiting the doctor. This makes doctor visits a rivaled and excludable private good.
Public goods are:

any outcome that is open to all on equal terms. Such an outcome is sharable; it is said to be non-rivalrous and non-excludable. It is hard to personally own and exchange public goods even though they can be enjoyed. A traffic light is a public good. One person can benefit in safely crossing a street and so can everyone else who also crosses there. But none of them owns the pole and light. Usually the government does. Non-rivalry means that consumption of the good by one individual does not reduce availability of the good for consumption by others. Non-excludability means that no one can be effectively excluded from using the good.

Breathing air does not significantly reduce the amount of air available to others, and people cannot be effectively excluded from using the air. This makes air a public good, albeit one that is economically trivial, since air is a free good.

A standard list of public goods would include: peace, rule of law, a system of property rights and enforcement of contracts, communications and transportation systems, including the internet, the Linux community of software, beauty, knowledge, lighthouses.

Paul A. Samuelson is usually credited as the first economist to develop the theory of public goods. In his classic 1954 paper *The Pure Theory of Public Expenditure*, he defined a public good, or as he called it in the paper a “collective consumption good”, as follows: … [goods] which all enjoy in common in the sense that each individual’s consumption of such a good leads to no subtractions from any other individual’s consumption of that good…

In the real world, there may be no such thing as an absolutely non-rivaled and non-excludable good; but economists think that some goods approximate the concept closely enough for the analysis to be economically useful.

One of the most basic of public goods is a state of society and culture where individuals can enjoy their liberties, including use of property and the pursuit of happiness. This public good is protected by the rule that one person’s freedom stops where it impinges on the equal freedom of others. (*Declaration of Rights of Man and Citizen*)

Drawing the appropriate line between private right (which authorizes private initiatives) and limitations on that right to protect the rights of others is a messy process.

Where does my freedom to smoke end so that your liberty not to inhale second-hand smoke can be vindicated? Adam Smith in his lectures on jurisprudence called this intersection of private and public goods the problem of “police”.

The production of public goods can also result in positive externalities which are not remunerated. If private organizations don’t reap all the benefits of a public good which they have produced, their incentives to produce it voluntarily might be insufficient. Consumers can take advantage of such positive externalities or public goods without contributing sufficiently to their creation. This is called the free rider problem, or occasionally, the “easy rider problem”

In the classic theory of the private firm, the business enterprise need not concern itself with public goods. It is to define its success or failure only with respect to the private goods or services it sells. Under this theory, as advocated with skill and passion by Milton Friedman and the Chicago School of economic thinking, if there are negative externalities spawned by the private sector creating a public concern, then it is up to government to step in and provide new, additional public goods in the form of regulation of private activity for the common good.

Thus, even in a theoretical world of purely private goods, there remains a problem along the border where something “public” arises to change the character of the private good into something of greater communal concern. The border must not only be defined, it must be defended on both sides. The private goods side seeks to push the border farther away from its core autonomy and the public goods side seeks to prevent harm from crossing the border and to encourage positive externalities to be produced and shipped out “abroad” for public consumption. Watching over the border and adjusting disputes between the two sides is the function of Moral Capitalism.

But outputs cannot so easily be allocated to just two categories of private and public. Some services that produce a public good, education for example, can be well delivered by private enterprise without government direction or supervision. Consider Oxford University or Harvard College. But say, are financial services similarly suitable for private enterprise production or do they require supervision of their externalities? What are we to do with goods of a mixed character?

It may make more sense to think of a continuum of goods with completely private goods at one extreme and purely public goods at the other extreme. Next to fully private goods would come quasi-private goods and then a set of quasi-public goods before we get to purely public goods.

Moral Capitalism needs to avoid zero-sum repugnance between private and public goods and view capitalism as thriving in a continuum of goods where the result of mediation between public and private can result in various combinations of both.
Quasi-private goods

Quasi-private goods arise when private goods or services throw off positive and negative externalities. The idea is a crossing of the border between a purely private good and something with a more public character. A positive externality occurs when some benefit can be enjoyed beyond the ties of privity attaching one owner to a subsequent owner. Thus, a work of art, though it can be owned and rival others may be excluded from seeing or appreciating it, casts positive benefits of beauty and understanding. Its beauty or social meaning can be more than just a personal possession. Education provided privately is a benefit to more that those who pay tuition to learn new knowledge and skills. It contributes to social capital and to the capacity of a family or a society to advance in politics and economics.

Quasi-private goods and services retain the core features of private goods. They are the subject of rivalry and potential owners and users can be excluded from ownership and use. They can be priced and sold with title changing hands or beneficial enjoyment placed in another’s possession. But unlike pure public goods, they are encumbered with impacts on others. They create externalities. Thus, those others who are impacted by the use of the good or service take an interest in how the good or service is financed, made, sold, delivered, and used. Quasi-private goods also include those public goods which can be and are rendered private — ownership rights are created to exclude others and make them compete for use. This occurs in intellectual property when creativity, knowledge and technique which are conceptually accessible to all freely without dilution of their potential are placed under patent or copyright to prevent free use and to force pricing of access through a market.

A poem for example can be read by many people without reducing the consumption of that good by others; it is non-rivalrous. However, the individual who wrote the poem may decline to share it with others by not publishing it and keeping it as exclusively “his” or “hers”. Similarly, the information in most patents can be used by any party without reducing consumption of that good by others. Copyrights and patents provide temporary monopolies, or, in the terminology of public goods, providing a legal mechanism to enforce excludability for a limited period of time privatize what otherwise would be a public good.

Thus, we might say education or health care is a quasi-private good. Each brings non-excludable and non-rival benefits to a public but can be provided through private contract in a market place where a price is placed on access to the service. Communities are better off with higher educational achievements and higher standards of public health and individuals are simultaneously also better off with more education and good health.

Private goods lose some of their privileged autonomy when they assume a character that can or will impact a wider circle of circumstances.
Thus, in Moral Capitalism we arrive at concern for stakeholders which moves us to place private goods made by a firm in an envelope of ethical consideration of the needs of others. Ethics thus socializes the quality of a firm’s business model to become more like a quasi-private good or service where stakeholders are to benefit or suffer. Stakeholders are usually defined as customers, employees, those who invest capital in a company (equity or debt), suppliers, competitors, and communities and their environments.

Moral Capitalism mediation can be analogized to avoiding negligence through prudent foresight.

A negative externality occurs when production and sale of a private good impinges on the enjoyment or well-being of others. Pollution of air and water from manufacturing is perhaps the classic case of a negative externality. As pollutants are discharged from private property into a public stream or river or penetrate into groundwater from which others draw their drinking water they create negative externalities for those who might suffer from such pollution. Littering, or not picking up after your dog on a sidewalk or a public park, are other examples of a negative externality.

The concept of negative externality slides into the distinction of being a “public bad”. If enough people are negatively affected by behavior that undermines public health, the rule of law, public morals and decency, safety and security of persons and property, then it loses its entirely private character and becomes at least a quasi-private good, or perhaps even a quasi public good liable to regulation and control. Bad factory working conditions, for example, become quasi private goods and generate advocacy for remediation on the part of unions and socially concerned NGOs.

**Quasi-public goods**

When quasi-private goods consistently produce large, externalities which impact the common weal, we might consider them as a different category of goods — quasi-public goods. These goods can be produced by private enterprise, they can be owned, but they implicate the well-being of those who are not their owners.

Some outcomes are open to competition, but no claims of ownership to these goods can prevent entry of competitors. Natural resources are such quasi-public goods. Their exploitation gives rise to the tragedy of the commons: each acquirer of the good over-consumes and destroys the underlying asset, which is finite and diminishing. Fish in the oceans and potable water are such diminishing assets that will reduce the common good once they are depleted. With such quasi-public goods, pricing for current market consumption does not charge enough to encourage slow use for preservation of stocks and supplies.

Protected national parks and wilderness areas are quasi-public goods. They are open to full exploitation as public
property but are placed in government ownership as a trust so that their use can be moderated and regulated through exclusion of some potential uses and users. One hiker on a trail does not prevent others from coming along to enjoy the same views and experiences. But at some point, too many hikers, or drivers of ATV’s, will indeed destroy the enjoyment value of the pristine physical setting.

Airways for radio and television which, if un-regulated would be public goods, are placed under government control for allocation to private businesses for exploitation.

With quasi public goods, the priority claim of privacy and autonomy in decision-making around the making and use of the good or service attenuates even more than with quasi private goods. The scope or intensity of the externalities associated with the good or service is wider and deeper. So wide and so deep that something of a public interest can be said to have arisen. More than a few people external to the core production and exchange of the good or service care about its existential application in society, politics, the economy, and the environment.

Another version of quasi-public goods is goods and services produced by businesses “affected with a public interest.” At the Common Law in traditional England, such business as hotels, ferries, common carriers, wharfs were held to higher standards of liability and responsibility because their customers had to rely to their detriment on the probity and caution of the owners. There was a general shared interest in personal safety to be enjoyed by numerous and unknowable future customers.

So, today for similar reasons, utilities, railways and airplanes are regulated by government to insure that the public interest in safety is vindicated by private parties. Banking and financial services are businesses that produce both positive and negative externalities. And so banking and the selling of securities are highly regulated. As are public health, drug manufacture and sale, insurance and agriculture.

Where a business has a monopoly or several businesses establish a cartel, government regulation steps in to prevent abuse of private power. When private capital is knowingly invested in such businesses, the private owners assume a responsibility to be good stewards of a public interest. Where private enterprise assumes the risk of market competition, it does not trespass into this zone of quasi-public goods.

Where private goods are created by intermingling private profit seeking with government powers to exclude rivals, rent seeking replaces market competition as the means of making money. Rent seeking, or crony capitalism, creates less new wealth and more social injustice and markets for private goods only. These private goods therefore actually become “public bads” because of the damage their production and sale does to the rule of law as well as the abuse of power so engendered. Such rent seeking transcends all justifications that tolerate private ordering through markets and so cannot benefit from the legitimacy of free market values. Such rent seeking
merits restriction and elimination on the grounds it has a quasi public character (really a quasi public “bad”) that is harmful to the community at large.

Rent seeking and rent extraction convert private goods into quasi-public goods subject to regulation.

With quasi-public goods, we may infer that the mediating function of Moral Capitalism is more intense than in the case of quasi private goods. Any company confronting production and marketing decisions with respect to quasi public goods needs more than cost accounting and normal accounting controls to guide its decisions, especially at the level of the board of directors. Engagement with government, political actors, and NGOs is quite necessary in this realm where entrepreneurial activity intersects with the public interest.

Thus, the mediating role of Moral Capitalism is strongest in the middle range of goods — where quasi-private and quasi-public goods are being offered. Here is where strategic Moral Capitalism thinking and tactical Moral Capitalism decision-making is of greatest value to a company. The need for Moral Capitalism mediation is weakest at the extremes.

With fully private goods, we can expect market mechanisms of consumer and producer choice following price signals to rather adequately determine the quantity and quality of goods to be produced and sold. Here classical micro-economics holds intellectual sway.

Another Way of Deciding What has Value: Merit Goods

The mediation function of Moral Capitalism has another responsibility: mediating between private firms and the production of merit goods and services and non-meritorious goods and services. In a moral economy, culture and society, we seek to have only goods and services which have the merit of serving our best interests and our admirable ideals.

One common critique of capitalism is that its dependency on free markets and personal choice leads to the production of goods and services which are not “wholesome” for the community. These undesired goods and services are usually associated with private goods. The worth of a system is denigrated because it produces and delivers, or tolerates or even legalizes, goods such as alcohol, guns, drugs, contraceptives, and services such as corruption, abortions, prostitution, and sex trafficking. Therefore, the idea of our society and economy only doing what seems to have merit would apply to all goods and services — private, quasi-private, quasi-public, and public.

A related set of objections to the private goods and services produced by capitalism rests on their working to community disadvantage such as in the tragedy of the commons. Capitalism is faulted for producing pollution,
over-consumption of natural resources, destruction of habitats, green-house gases, harmful products, bad working conditions and squalid urban environments. Here we find the scandals of BP, GM and Volkswagen.

A third set of objections rests on a blend of moral indignation and concern for community living standards. Here Capitalism is principally faulted for delivering inequalities of income and wealth and corruption of public ethics. Here dissent looks to the negligence which caused the 2008 collapse of credit markets; the moving of manufacturing plants to low-wage environments; the seeking of market power through regulatory favoritism to avoid the discipline of consumers seeking lower prices; very high executive compensation; the use of financial assets for high frequency trading of securities; the actions by UBS to help wealthy Americans avoid paying taxes to their home government.

On the other hand, capitalism has a stunning record of improving humanity and making lives better on a scale of transcendent achievement. Consider the following graph on wealth creation:

![Graph showing GDP per capita in 1990 international dollars, years 1000-1995](source: Angus Maddison)

This was principally the result of the industrial revolution driven by the capitalist mode of factory production, urbanization, distribution and practical application of new scientific knowledge. The spread of computers and mobile phones, like the diffusion of books starting with Guttenberg, was accomplished by the private sector using private entrepreneurship and the investment of private wealth. The same is true for every technology (electricity, toilets, knee and hip replacements) which supports modern life in comfort and opportunity for expression of our personal identities and achievement of our individual aspirations.

How then can we measure and balance the good and the bad of Capitalism? More important, how can we be more focused in our means of encouraging more production of the good and less of what we don’t like or want?

How can we have an easily understood and quantitatively accessible set of metrics for a Moral Capitalism? The metric chosen would be used to guide the mediating function of Moral Capitalism between private firms and
public good. The goal of mediation would be to maximize meritorious the availability goods and services and minimize the offering of deleterious goods and services.

I propose borrowing a concept from public administration used to evaluate the merits of public welfare expenditures and move it over to capitalism as a system for the production of goods and services for consumption.

The concept is that of “merit goods”. Economists looking at public expenditures want to contain them to only buying goods and services that have “merit” and not “demerit”. Examples include the provision of food stamps to support nutrition, the delivery of health services to improve quality of life and reduce morbidity, subsidized housing and arguably education.

The concept was introduced by Harvard Professor Richard Musgrave. He was considering transfer payments under a public welfare program which had to be spent on what the community deemed to be meritorious, not on what the recipient might choose to spend the money.

A merit good has been defined as having two characteristics: 1) people do not realize the true benefit. For example, people underestimate the benefit of education or vaccinations; and 2) usually these goods have positive externalities. Therefore, in a free market there will be under consumption of merit goods.

Examples of Merit Goods: health care — people underestimate the benefits of getting a vaccination. If people do get a vaccination, then there will be external benefits to the rest of society because it will help reduce disease in the rest of society; museums and classical music concert — the educational benefit of museums and the cognitive benefits that come from listening to music and under-appreciated; education — people may undervalue benefits of studying.

A non-merit goods has two characteristics: 1) a good which harms the consumer (for example, people don’t realize or ignore the costs of doing something e.g. smoking, drugs); and 2) usually these goods also have negative externalities which cause harm to others than those that buy them. Therefore, in a free market there will be over consumption of these goods.

Examples of non-merit goods include: smoking; drinking; taking drugs4).

The essence of merit and non-merit goods is an information failure on the part of the consumer. This information asymmetry arises because consumers do not perceive quite how good or bad the good is for them: either they do not have the right information or lack relevant information. With this definition, a merit good is defined as good that is better for a person than the person who may consume the good realizes. But who has the responsibility to
educate consumers? Only the producers of goods and deliverers of services?

The welfare state use of merit goods supports recommending for or against some goods on a basis other than consumer choice. This use of the concept is undemocratic and inconsistent with the principles, perhaps, of a free market composed of willing buyers and sellers.

Wilfried Ver Eecke has defined categories of merit goods as defining and protecting property rights; institutions which promote economic efficiency; Keynesian programs to offset negative turns in the business cycle; education; social safety net; public health; prevention of corruption; economic development policies; protection of the environment; protection of cultural heritage; business ethics.

Now, most current failures of capitalism — the deleterious effects of 1) social media on young people and American politics, 2) the failure of Boeing to properly design the 737 Max 8 aircraft, integrating software with pilot capabilities, 3) the contribution of pharmaceutical companies to the opioid epidemic of deaths in the United States, 4) hydro-carbons which generate electricity — can be classified as the production of un-meritorious goods. Should the production of such goods be prohibited by the State or should companies make extra efforts 1) to consider the meritorious and un-meritorious qualities of their goods and services when used by consumers; and 2) spend extra time and money to reduce un-meritorious qualities and capacities of the goods and services they sell, or, conversely, enhance the meritorious qualities and capacities of such goods?

Examples of meritorious goods might be new technologies which can store more renewable energy for longer periods or trees which can remove greater amounts of CO2 from the atmosphere and so retard global warming.

But what if consumers either can’t afford or don’t like the meritorious goods and services brought to market? Companies cannot be expected to sell at a loss.

**How Should we define Merit goods?**

Once Merit goods and services are properly named, incentives can be placed to encourage their production and disincentives alternatively placed to discourage the production of Non-Merit Goods and Services. Merit Goods and Services can be subsidized by governments and preferred by consumers. Non-Merit Goods and Services can be taxed by governments and subjected to constraining regulation and can be spurned by consumers.

For success in implementation, it is important to note that Merit Goods and Services are not the exclusive, proprietary object of public administration. The private sector can easily and more efficiently produce Merit Goods and Services. Consider education and health care, two widely accepted forms of Merit Goods and Services.
They can be delivered by public authority and institutions, by private profit-making firms, or by non-profits and benefit corporations.

Once a good or service is recognized as meritorious, arguments for quality, cost, efficiency, and intensity of good customer care can take center stage in deciding how best to produce it.

The fields of business ethics and corporate social responsibility have for years attempted to focus attention on merit goods and services, but more on deleterious goods and services. CSR management guides became applicable for these goods and services. Activists with firm convictions as to what should or should not be produced and sold created standards by which to distinguish what was meritorious from what they considered to be deleterious. Early intentional efforts to engage these CSR perspectives in the management of private enterprises included the ISO 9000 standard for better quality and the ISO 14000 standard for reduction of externalities harmful to the environment. In Japan the Keidanren business principles provided mediation between the private goods and services produced by the firm to make a profit and remain in business and the quasi-private and quasi-public features of those goods and services. Ryuzaburo Kaku of Cannon used a standard of *Kyosei* by which to select business practices which were had merit for both the company and its stakeholders, including society and the environment.

The quality movement’s focus on quality and customer satisfaction is perhaps the best example of an early CSR approach to producing more meritorious goods from the perspective of customers and in ways which were supportive of employees and suppliers. The SA 8000 standards for factory working conditions is another such example. The Principles for Responsible Investing, associated with the United Nation’s Global Compact, apply to quasi-private goods associated with portfolio investments. Other examples are industry codes such as the Coffee Community Common Code, The Wolfsburg Principles for banks, the Equator Principles for participation in World Bank projects, the ICC Code for Advertising and Marketing, the Electronics Code of Conduct, the code for extractive industries, the Jewelry Industry Code of Conduct, the Kimberley Process for certifying diamonds, etc., are other examples. An important and ongoing compliance component joins the CSR function at this point.

The Global Reporting Initiative, or GRI, provided a set of reportable data that surface points of concern over a firm’s positive and negative externalities. GRI reports thus provide a basis for consideration of more astute CSR strategies on the firm’s part.

The United Nation’s Global Compact, which draws its principles from international treaties among governments and not from business dynamics, lists in its 10 principles examples of public goods or “bads” arising from important externalities. The point of the Global Compact is to remind companies that they should not degrade the quality of these public goods in their provision of market-based goods and services. By aligning itself with the
Global Compact, a company therefore agrees to consider its business as one providing, to some extent, quasi-pub-
lic goods.

The Caux Round Table Principles for Business provide a framework for CSR management in every environment — private goods, quasi-private goods, quasi-public goods and even with public goods. The CRT Principles set forth seven primary considerations for the impact of business decisions and the guidelines provide a structure for evaluating the interests of key stakeholders. Under the stakeholder constituency of community, intersection of the firm with pure public goods is considered.

The UN SDGs, adopted in 2015, set forth a worthy set of outcomes for all countries. They not only provide priorities for governments, they implicitly set before us outcomes for global capitalism. Thus, every good or service which contributes to the achievement of the goals is meritorious on its face for that making that contribution. And, to the contrary, every good or service which detracts from achievement of the SDGs is unmeritorious on its face.

Here is the list of selected UN Sustainable Development Goals, followed by suggestions for a few goods and services which would meritorious for their capacity for moving us closer to achievement of that desired outcome:

**Goal 1. End poverty in all its forms everywhere**
- Job creation, improved schools, childhood nourishment, reduction of disease, access to markets,

**Goal 2. End hunger, achieve food security and improved nutrition, and promote sustainable agriculture**
- Improved irrigation and access to water, improved seeds, extension services, safe storage, commodity prices, better tillage,

**Goal 3. Ensure healthy lives and promote well-being for all at all ages**
- Access to clinics; access to drugs, education in sanitation and personal health care, exercise, proper diets; avoidance of high fructose corn syrup and less consumption of sugar, increased fiber in diet,

**Goal 4. Ensure inclusive and equitable quality education and promote life-long learning opportunities for all**
- Use of internet and social media for IQ development; teacher training; opening adult learning centers

**Goal 5. Achieve gender equality and empower all women and girls**
Goal 6. Ensure availability and sustainable management of water and sanitation for all
Enhanced toilets; recycled waste water; selling water for a user charge; bio-degradable fertilizers and insecticides; enhances plant genetics; limiting agricultural run-off

Goal 7. Ensure access to affordable, reliable, sustainable, and modern energy for all
Batteries with enhanced storage capacity; more efficient motors; better insulated buildings, private household and business generation of electricity to feed into the grid; generating electricity from waves; carbon capture and recycling

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Affordable and accessible credit for individuals and small enterprises; retirement savings funds; enhance human capital and IQ achievement; ethics teaching and training to promote more trust and reliance; exposing corruption and elite rent extraction; reduction of trading in financial intermediation

Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
Higher government budgets; high spending on R&D; commercialization of new materials and technologies;

Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable

Goal 12. Ensure sustainable consumption and production patterns

Goal 13. Take urgent action to combat climate change and its impacts

Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
Enhance legal education; reduce corruption; education for security forces in the principles and techniques of community policing; enhancing constitutional checks and balances; interfaith engagement on common core values; open access to the internet,

Goods and services — both publicly and privately provided — which would delay, frustrate or otherwise compromise the achievement of the SDGs would be eschewed as Non-Merit goods and services.
Moving Forward

The first task before us today is to design systems of private business and finance, public governance, and civil society advocacy to achieve the SDGs. Moral Capitalism can assist in this through its mediation between firms and their stakeholders.

Moral Capitalism is a realistic framework and ideal for our global community. It rests on neuro-science regarding each individual’s moral sense. It is decentralized to accommodate individual, firm, collaborative, community, national, and inter-national norms and decision-making. Moral Capitalism can make a coordinated beneficial matrix of multiple actors without imposition of any ideology or command and control superstructure based on a monopoly of violence. It permits freedom without disorder through checks and balances and mindful decision-making. It guides us towards the production of merit goods and services and mediates the intersection of private goods with public needs.

Second, the mediation assignment of Moral Capitalism for the maximization of merit goods and services needs to be supported by:

1) Persuasive arguments as to what is meritorious common to our various wisdom traditions for a global economy, supplemented by national or community evaluation perspectives
2) New respect for creating capital assets, including intangible social and human capital assets, and the public good residing in natural capitals. Sustainability is the prospect of continued enhancement of well-being, the continued deployment of assets to generate new wealth and income and enjoyments.
3) New accounting standards for the measurement of assets, preserving them, and avoiding waste of capital.

Notes
2) Declaration of Rights of Man and the Citizen,
5) https://en.wikipedia.org/wiki/Merit_good
### Caux Round Table Principles and Different Religions

**By Stephen B. Young**  
Global Executive Director, Caux Round Table

|----------------------|---------------------------------------------|--------------------------------------------------------|-------------------------------|--------------------------------------------|------------------------------------------|-----------------------------------------------|---------------------------------|-------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|

### Annex 1

Pursuit of Moral Capitalism in a Diverse Global Community

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**Foundational**  
**Judeo-Christian**  
**Old Testament**  
**Visions of Social Justice**  
**Canonical**  
**Protestant Moral Authorities**
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| Thai Theravada Buddhist Teachings        | Virtues of danam and         | Virtues of naddavan         | Virtues of paricagam and ajjanavam | Virtues of silam and paricagam | Virtues of paricagam | Virtue of silam | Eightfold way: right livelihood | Eightfold way: right | Wealth to benefit others | Eightfold way: right livelihood | No attachment; no |
|                                          | Restraint                    | Restraint                   | Restraint                    | Restraint                    | Restraint                    | Restraint                    | Restraint                    | Restraint                | Restraint                | Restraint                | Promote community well- |
|----------------------|-----------------------------------------------|-----------------------------------------------|-------------------------------|-----------------------------------------------|-------------------------------|-----------------------------------------------|---------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Mahayana Buddhist Teachings | Karuna (compassion); Sila (moral virtue); dependent co-arising | Karuna (compassion); Sila (moral virtue); dependent co-arising | Karuna (no discrimination based on otherness); dependent co-arising | Sila (moral virtue); dependent co-arising | Sila 8-fold way: right livelihood; *right* speech; *right* action; *wise* discernment | Karuna (compassion); Sila (moral virtue); dependent co-arising | Karuna (compassion); Sila (moral virtue); dependent co-arising | Karuna (compassion); Sila (moral virtue); dependent co-arising | Karuna (compassion); Sila (moral virtue); dependent co-arising | Karuna (compassion); Sila (moral virtue); dependent co-arising | Karuna (compassion); Sila (moral virtue); dependent co-arising | Karuna (compassion); Sila (moral virtue); dependent co-arising | Karuna (compassion); Sila (moral virtue); dependent co-arising |
| Expression of Original Confucian Morality | Analects Bk XII, Ch IX, 3; Bk XII, Ch XVI, 1; Mencius, Bk IV, Pt 1, Ch IX, 1 | Analects Bk XII, Ch IX, 3; Bk XII, Ch XVI, 1; Mencius, Bk IV, Pt 1, Ch IX, 1 | Analects Bk IV, Ch X | Analects Bk IV, Ch X | Analects Bk IV, Ch X | Analects Bk IV, Ch X | Analects Bk IV, Ch X | Analects Bk IV, Ch X | Analects Bk IV, Ch X |Analects Bk IV, Ch X | Analects Bk IV, Ch X | Analects Bk IV, Ch X |
| Hindu Varnas as Expressed in the Law of Manu Text | Manus Ch 2, 2-4, 224; Ch 8, 3-6, Ch 9, 325-332; Ch 3, 118; Ch 9, 32 | Manus Ch 2, 2-4, 224; Ch 8, 3-6, Ch 9, 325-332; Ch 3, 118; Ch 9, 32 | Manus Ch 1, 108, 109; Ch 3, 118, Ch 4, 4, 176; Ch 8, 8, 111, 165 | Manus Ch 1, 108, 109; Ch 3, 118, Ch 4, 4, 176; Ch 8, 8, 111, 165 | Manus Ch 1, 108, 109; Ch 3, 118, Ch 4, 4, 176; Ch 8, 8, 111, 165 | Manus Ch 1, 108, 109; Ch 3, 118, Ch 4, 4, 176; Ch 8, 8, 111, 165 | Manus Ch 1, 108, 109; Ch 3, 118, Ch 4, 4, 176; Ch 8, 8, 111, 165 | Manus Ch 1, 108, 109; Ch 3, 118, Ch 4, 4, 176; Ch 8, 8, 111, 165 | Manus Ch 1, 108, 109; Ch 3, 118, Ch 4, 4, 176; Ch 8, 8, 111, 165 | Manus Ch 1, 108, 109; Ch 3, 118, Ch 4, 4, 176; Ch 8, 8, 111, 165 | Manus Ch 1, 108, 109; Ch 3, 118, Ch 4, 4, 176; Ch 8, 8, 111, 165 | Manus Ch 1, 108, 109; Ch 3, 118, Ch 4, 4, 176; Ch 8, 8, 111, 165 |
| African Spiritual Understandings | Positive creative | Positive creative | Reciprocity; do not diminish the moral norm of community; Use positive creative forces; | Respect for creative forces | Do not diminish the life force of creative forces | Reciprocity; do not diminish life | Reciprocity; do not diminish life | Reciprocity; do not diminish life | Reciprocity; do not diminish life | Reciprocity; do not diminish life | Reciprocity; do not diminish life | Reciprocity; do not diminish life | Reciprocity; do not diminish life |

Pursuit of Moral Capitalism in a Diverse Global Community
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<tr>
<th>Way of the Japanese Kami</th>
<th>Do not obstruct the Kami; bring forth bounty; life sustaining activity</th>
<th>Do not obstruct the Kami; bring forth bounty; life sustaining activity</th>
<th>Upright and honest heart; Sincere and pure; no unruly self-assertion</th>
<th>Do not obstruct the Kami; bring forth bounty; life sustaining activity</th>
<th>Upright and honest heart; Sincere and pure; do not obstruct natural forces</th>
<th>Respect contributions of others</th>
<th>Provide for; nurture; no Self-magnification; don’t be a trickster</th>
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<tbody>
<tr>
<td>Meso-American Indigenous Theology</td>
<td>Generativity; provide for; nurture</td>
<td>Generativity; provide for; nurture</td>
<td>Don’t be a trickster; don’t deceive</td>
<td>Give respect; no Self-magnification; keep on the green road</td>
<td>Give respect; show appreciation; no Self-magnification</td>
<td>Respect contributions of others</td>
<td>Provide for; nurture; no Self-magnification; don’t be a trickster</td>
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Generativity; provide for; nurture

Don’t be a trickster; don’t deceive

Give respect; no Self-magnification; keep on the green road

Give respect; show appreciation; no Self-magnification

No Self-magnification; don’t be a trickster

Provide for; nurture; no Self-magnification; don’t be a trickster

Respect contributions of others

Provide for; nurture; no Self-magnification; don’t be a trickster

Respect contributions of others

No Self-magnification

Provide for; nurture; keep on the green road

Cargo system