

Submission to the SEVEN Fund Essay Competition on 'The Morality of Profit'

The Immorality of 'Development as Profit'

Tim Taylor

March 2010

Abstract

Making societies sustainable is the great challenge of our time. Using principles of sustainability to establish an understanding of immorality, this essay examines the immorality of 'development as profit'. It is shown that today's prevalent concept of development is both theoretically misguided and a significant barrier to pursuing sustainable societies. Profit becomes immoral when inequality is perpetuated in its name.

A new concept of sustainable development is needed. The relocating of profit within a broader understanding of progress provides the foundation for establishing truly sustainable enterprises, and for the morality of profit to be restored.

(95 words)

The Immorality of ‘Development as Profit’

Tim Taylor

*Wealth is evidently not the good we are seeking;
for it is merely useful and for the sake of something else.*

- Aristotle^{*}

The great challenge of our time is how to make our modern societies socially and ecologically sustainable. The currently prevalent concept of ‘development as profit’ stands in the way. The idea that continual growth of profit in a market system is a sufficient understanding of human progress proves to be as immoral as it is currently hegemonic. This essay will examine how the morality of profit and development could be restored.

The understanding of morality being used in this essay will be explained using principles of sustainability, showing that it is actually clearer to investigate *the immorality of profit*. A historical account of wealth and development provides the background for an illustrative research example from the Kingdom of Tonga, and a discussion of the immoral corporation. From both the theory and these examples it will be shown that the immorality of profit derives from its current use as the single benchmark and holy-grail of human progress.[†]

Societies require a new concept of sustainable development; one in which profit is only one of many important social objectives and indicators. The *sustainable enterprise* model will be introduced, to demonstrate how enterprise could actually make a moral contribution to society’s sustained wellbeing. However, the viability of the sustainable enterprise model is dependent on a new concept of sustainable development.

This essay draws on my ongoing sustainability science research with two linked projects. One study is on the need for a new concept of development as the foundation for sustainable societies, and the other is examining the potential role of truly sustainable enterprises in sustainable development.[‡]

^{*} Aristotle. *The Nicomachean Ethics* - translated by Ross (1980) Oxford University Press, UK. Quoted page 14 in *Development as Freedom*¹

[†] ‘Development’ is about the ‘progress’ of society. The two terms are used interchangeably in this essay, but in general ‘development’ is related to future directions, and ‘progress’ relates to measuring how far society has come. The terms ‘wealth’ and ‘profit’ are also used interchangeably with the sense that wealth relates to ends and profit to means.

[‡] Key references are included in this essay when I consider them to be academically essential or likely to be of value to the reader. A wider range of supporting references can be found in conference papers that I will present during 2010, which are available on request^{2,3}

A Sustainability Understanding of Immorality

Adam Smith saw that any issue of morality may inspire numerous compelling and reasoned claims to superiority, each located upon differing moral principles.⁴ In this essay I will draw parallels between morality and ideas of inequality, wellbeing and sustainability. So further elaboration is required on the principles of sustainability that underlie the understanding of morality presented in this essay.

Sustainability has two fundamental aspects. One is a concern for socio-ecological limitations on human societies. As pollution increases beyond the carrying capacity of the environment and resources are depleted, it will become harder to maintain today's levels of wellbeing. Degradation of social resources is added to this ecological perspective. Erosion of culture, societal-values and community relationships leads to social problems that also reduce wellbeing. Fundamental to this understanding of limits is the principle of *inter-generational equity* – the moral assertion that each generation has the duty to leave sufficient social and ecological resources for the wellbeing of the next.

Since the Brundtland report was produced, the understanding of sustainability has matured further and the second principle of *intra-generational equity* has moved to the fore. If it is immoral to leave a socially and ecologically depleted world for future generations to struggle with, then it is surely also immoral to leave them the pervasive poverty and wellbeing inequalities that exist today.⁵

Amartya Sen shows that rather than seeking consensus on a concept of perfect justice, it is more plausible to reach agreement on patent injustices that could feasibly be fixed.⁶ The moral issue that underlies the idea of sustainability is the patent injustice of inequality. The scope of challenges embraced by sustainability may be huge, but can feasibly be approached in steps that address patent socio-ecological injustices affecting both current and future generations.

Assessing wellbeing represents a subjective assessment of outcomes in people's lives, but the deeper root of wellbeing inequality is factors that affect one's opportunities in life. Examples of these factors include health, education, social relations, wealth and ecological resources. While it may be tempting to focus on inequalities of outcome by measuring wealth and poverty, it is opportunity that allows people to obtain the level of wellbeing they aspire to - with wealth as a subset of that wellbeing. To focus on inequality of wealth is to ignore the patent injustices of opportunity inequalities that are widespread and worsening in the world – in both 'developed' and 'developing' countries.¹

Following Sen's reasoning on injustice, rather than concentrating on the morality of profit it may be more valuable to investigate patent immorality of profit. From the principles of sustainability described here, immorality can be broadly understood as: any degradation of socio-ecological resources that aggravates or perpetuates an inequality of people's opportunity to obtain an acceptable level of wellbeing, in both current and future generations.

A Brief History of Profit and Development

As the introductory quote from Aristotle demonstrates, the idea is not new that profit and wealth are only useful when embedded within broader goals of society. Adam Smith was also deeply concerned with the effect of profit-seeking 'abstracted from virtue'.⁴ He viewed the admiration of wealth as the greatest moral corruption in society, while of course he also advocated elsewhere for the positive motivation that virtuous profit-seeking can have. That Smith's rational person is often portrayed as someone motivated purely by self-interested profit-seeking does him great injustice, as his actual conception of a rational person was of one firmly located within society.*

Karl Polanyi was also concerned for the morality of markets and profit. He stressed the importance of embedding markets within a moral system of social values and rules, and highlighted the risk to society of unregulated profit-seeking enterprise and markets.[†]

Despite this existing wisdom on the risk posed to society by uncontrolled profit-seeking enterprise and markets, recent decades have seen the global dominance of neoliberal ideology over development thinking - with market freedoms, profit and increasing wealth as the central tenets. Sure enough, this political-economic approach has resulted in widening social inequalities, ecological degradation and contracting social freedoms.⁸ The rhetoric of freedom often heard in today's political sphere is a narrow understanding of freedom as the 'freedom of enterprise'. The substantive freedoms, opportunities and wellbeing of many citizens suffer as a result.⁷ With the understanding of immorality already given, the neoliberal concept of 'development as profit' is clearly immoral.

The immoral contraction of people's substantive freedoms in the name of economic 'development' has inspired Sen's paradigm shifting work *Development as Freedom*. Here an alternative understanding of development is presented, that focuses on expanding people's freedom to obtain their desired state of wellbeing as both the principal *ends* and *means* of development.¹

The *Commission on the Measurement of Economic Performance and Social Progress* has taken Sen's theory and called for the broadening of national development measures to focus on people's wellbeing. It is emphasised that profit and wealth, represented by Gross National Product (GNP), should only be part of a set of wellbeing indicators. Indicators of opportunity are presented as being more important.⁹

These two works lay out the theoretical description of the need for new concept of sustainable development. This need will be further illustrated in the two following examples, which support the diagnosis of profit's singly important status in development as being immoral.

* See the discussion on Smith in *Development as Freedom* page 271.¹

† See references to Polanyi in a *Brief History of Neoliberalism*⁷

Examples of the Immorality of ‘Development as Profit’

Wellbeing in the Kingdom of Tonga

There is clearly some fundamental truth to the presumption on the importance of wealth. In modern society, there is no way that any individual or family can be self-sufficient in everything they need, let alone want. For example, obtaining healthcare and education anywhere requires some access to money, so certainly monetary measures and development priorities are not irrelevant. Yet, as the Sen and Commission on the Measurement of Economic Performance and Social Progress (CMEPSP) argue, the importance of wealth and profit has become grossly overstated to the point of being detrimental to society’s wellbeing and sustainability. The Kingdom of Tonga proved a valuable case-study in which to examine this thesis, and an illustrative example is provided here.

Countries and cultures that have long used non-monetary systems of trade and exchange, may view the monetary imperative with due scepticism. In the Kingdom of Tonga many people lament the effect of materialism on traditional society. It can hardly be argued that modern Tongans are oblivious to the need for money, or that they are not astute in pursuit of it, but it is recognised that monetary measures alone are not a fair representation of critically important aspects of Tongan wellbeing.

Two core Tongan values are *faka’apa’apa* – meaning mutual respect, and *tauhi va* – the importance of maintaining one’s relationships and social obligations. These values focus on the importance of society and reinforcing one’s relationships within it through reciprocal exchange. Nowadays money does exist in these exchanges, but traditionally important crops, pigs, finely woven mats and tapa barkcloth play the primary role. These are things that Tongans invest large amounts of time in producing, and generally exchange outside of any monetary system. Tongans understandably raise their eyebrows at the suggestion that being engaged in these ‘non-productive’ activities equates to unemployment.

This example demonstrates how it is not only money and profit playing an important role in Tongan society. To pursue only monetary profit by sacrificing production time or by selling goods of traditional value, would be to sacrifice the ability to meet the obligations that make one truly Tongan. Such a sacrifice to one’s identity would certainly reduce many people’s emotional wellbeing in a society where being *faka-Tonga* is very important.*

While simply measuring profit is far from a being a *faka-Tonga* understanding of wellbeing and progress, international demands pressure Tonga to measure their developmental progress in monetary GNP.[†] The result is that major ‘development’ initiatives concentrate disproportionately on generating wealth, immorally perpetuating inequalities of opportunity and ignoring the Tongan concept of wellbeing.

* *Faka-Tonga* relates to something that is truly-Tongan, or doing something ‘the Tongan way’.

[†] The UNDP Human Development Index is a basic attempt to broaden development measures using education and health statistics to adjust GNP figures. It is calculated for Tonga, but it still falls far short of the needed reconceptualisation of development being discussed here.

The Immoral Corporation

In the wider neoliberalised world, the pursuit of profit is dominated by the modern corporation. These often transnational enterprises are praised for their profitable contribution to global 'development'. Yet they are also increasingly criticised for their profit-driven: ecological impacts, disregard for human rights, precipitation of financial crises, and increasing interference in government policy.^{7,10,11}

The response to such criticism has been a return to widespread discussions of corporate social responsibility.¹² Corporate responsibility is not a new concept. As the modern corporation emerged in the period after World War Two it was expected that corporations would make substantial contributions to society as part of being valued 'citizens'. The devotion of corporations to only their shareholders is a recent phenomenon.¹⁰ The resurgence of the idea of a responsible corporation may be welcome, but in the current system corporations are bound by the overriding imperative to maximise profits for their shareholders.

For corporations to become a positive force for sustainability, the preservation of ecological systems and nurturing of social wellbeing needs to be elevated to equal standing with profitability in corporate objectives. This will most likely mean accepting a reduction in monetary profits, at least in the short term.¹³ With profit as the corporation's only metric for progress, the hope for sustainable, responsible and moral corporations is rendered implausible. The purely profit development imperative constrains the corporation to be an unsustainable and immoral part of society.

Sustainable Enterprises for Sustainable Development

It has been shown that the idea of 'development as profit' is immoral in both theory and practice. Then the challenge is to consider what might be a viable alternative. The understanding of immorality given above can be reversed to provide a concept of sustainable development that is: the restoration of socio-ecological resources and reduction of inequality in people's opportunities to obtain an acceptable level of wellbeing, in both current and future generations.

*

Adam Smith's example of the butcher, baker and brewer is often used to highlight the benevolent benefit to society of self-interested profit-seeking. Of course he is widely acknowledged as being right. Enterprise still represents one of the fundamental hopes in creating sustainable societies. The challenge taken up by the corporate social responsibility movement is to encourage enterprise to work on a 'triple bottom line' approach of building social, ecological and economic capital. From a sustainability perspective, this idea has immense potential – regardless of the fact that it is generally not feasible within the current concept of development.

Europe is seeing a mushrooming of 'social enterprises'. These enterprises exist in the realm between the state and profit-seeking enterprise, and have often arisen in response to failings of those institutions to adequately provide for communities' wellbeing. Social enterprises are run according to various enterprise models with profitability as an important benchmark for success, but their primary goal is the creation of

social benefits. Given that these enterprises are motivated to work for society rather than profit, there is a need for social or state investment in these enterprises. This has the benefit of ensuring that these enterprises are indebted to society rather than shareholders.¹⁴

Social enterprises provide a useful foundation for developing the idea of *sustainable enterprises*, but they only address part of the challenge. A sustainable enterprise must incorporate the aspects of being a social enterprise. This means that as a minimum they must:

- have explicit aims to benefit the community;
- involve the people affected by their activities;
- be governed democratically, irrespective of capital ownership; and...
- not seek to maximise profit.

To be a truly sustainable, an enterprise must also contribute to:

- improvements in social wellbeing;
- reducing social inequalities;
- conservation of life-supporting ecological systems; and...
- eventual restoration of ecological systems.

Defining goals such as benefiting the community and improving social wellbeing in detail is inherently dependent on context. They can only be articulated as clearer goals within a locally appropriate set of development objectives and progress indicators of the type already discussed.

Clearly sustainable enterprises of this form are a radical departure from the corporate enterprises of today. To some readers these may even seem like implausible goals for enterprise, but an enterprise model along these lines is essential if the positive force and morality of enterprise and profit is to be restored. In fact, there are emerging examples around the world of enterprises that begin to meet these criteria and organisations working to support them.*

I investigated the emergence of sustainable enterprises with a recent field study in Kenya. It was seen that the collaborative nature of sustainable enterprises is often a natural fit in communities that are not so deeply entrenched in the idea of only economic development. It was also clear that for sustainable enterprises to be a success, the building of supportive institutions, education and advice, and access to low-interest credit are critical factors that need to be provided.

In the 'developed' world sustainable enterprises represent a viable option for a retreat from the deeply unsustainable and immoral corporate model that exists today. As shown, this would require the radical redefinition of development and the role of enterprise - from maximising profit to maximising sustainability. It is in this way the morality of profit and enterprise can be restored.

* See for example www.ashoka.org & www.skollfoundation.org

Conclusions

Sustainability is a matter of finding balance. The unbalanced concept of 'development as profit' is inadequate for today and tomorrow's societies. People do seek wealth, but their wellbeing actually involves many other important things. Corporations seek only profit, immorally and at the expense of society and ecological systems.

To redeem these tensions a new concept of sustainable development is required. Profit must be re-embedded within a broader understanding of progress that is derived from the principal of inter-generational and intra-generational equality of people's opportunity to obtain an acceptable level of wellbeing. This foundational concept of sustainable development is critical for creating moral and sustainable enterprises.

Finding a pathway towards sustainable societies is the great challenge of our time. Enterprise and profit will have to make that road smoother instead of standing as barriers in the way. The task is great and this essay sketches only a rough map; but along this road enterprise can be redeemed, credibility regained for the idea of development, and the morality of profit restored.

Ends.

(2848 words including footnotes)

List of Key References

1. Sen, A. (2001) *Development as Freedom*. Oxford University Press: Oxford, UK.
2. Taylor, T. (pending in 2010) *The Need for a New Understanding of Development for Sustainability: A case study in the Kingdom of Tonga*. – Available from the author on request.
3. Taylor, T., Srot, N. & Gunnarsson, B. (2010) *Sustainable Enterprises for Sustainable Development: A Kenyan case-study into the potential of a Legal Empowerment of the Poor approach to nurturing sustainable enterprises*. – Available from the author on request.
4. Smith, A. (2006) *The Theory of Moral Sentiments*. Dover Publications: Mineola, USA.
5. Board on Sustainable Development (1999) *Our Common Journey: A transition toward sustainability*. National Research Council and National Academy Press: Washington DC, USA.
6. Sen, A. (2009) *The Idea of Justice*. Harvard University Press: Cambridge, USA.
7. Harvey, D. (2006) *A Brief History of Neoliberalism*. Oxford University Press: Oxford, UK.
8. Greig, A. (2007) *Challenging Global Inequality: Development theory and practice in the 21st Century*. Palgrave Macmillan: Basingstoke, UK.
9. Commission on the Measurement of Economic Performance and Social Progress [CMEPSP] (2009) *Report by the Commission on the Measurement of Economic Performance and Social Progress*. France. <www.stiglitz-sen-fitoussi.fr>
10. Vogel, D. (2006) *The Market for Virtue: The potential and limits of corporate social responsibility*. Brookings Institution Press: Washington DC, USA.
11. Klein, N. (2007) *The Shock Doctrine*. Penguin: UK.
12. Franklin, D. (2008) Just Good Business: A special report on corporate social responsibility. *The Economist*. 19 January 2008. <www.economist.com/specialreports>
13. Orsato, R. (2009) *Sustainability Strategies: When does it pay to be green?* Palgrave Macmillan: New York, USA.
14. Borzaga, C. & Defourny, J. (2001) *The Emergence of Social Enterprise*. Routledge: London, UK.