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Business and Violence

In his famous book „The Economy of Love and Fear" Kenneth Bolding (1973) suggested that business is a peaceful alternative to war. This might be true in principle, but today business, especially mainstream global business, seems to be at war with society and nature. Striving for profit and competitiveness, mainstream business produces monetary results at the expense of nature, society and future generations. With its exclusive focus on profit-making, mainstream business violates the integrity and diversity of natural ecosystems, the autonomy and culture of local communities and the chance that future generations will lead a decent life.

1 Market Fundamentalism and Mainstream Business Organizations

Social critic David Korten (1995) argues that today's global economy has become like a malignant cancer, advancing the *colonization* of the *planet* for the benefit of powerful corporations and financial institutions. It has turned these institutions into instruments of a market tyranny that is destroying the livelihood of humans, displacing communities, and eliminating biodiversity and ecosystems services at large scale for the relentless quest for profit. It forces us all to act in ways destructive of our selves, our families, our communities, and nature.

George Soros (1988) calls the underlining metaphysics of mainstream business as '*market fundamentalism*'. It is an uncritical belief that all kinds of values can be reduced to market values, and the free market is the only efficient mechanism that can provide for a rational

allocation of resources. Soros predicted that the instabilities and inequalities of the global capitalist system will feed into nationalistic, ethnic and religious fundamentalism. Violence of the market induces nationalistic, ethnic and religious *violence* as a *response*.

The metaphysics of mainstream business can be described by the following statements: (i) 'to be' is to be a marketable resource; (ii) 'to be' involves being either an object available for productive activity on the market, or else a subject who makes use of such objects; and, (iii) the only mode of thinking is calculative thinking; the consideration and measurement of every being as a marketable resource. Such market metaphysics necessarily lead to the violation of natural and human beings. In many cases violent business practices result in 'essential' harms such as the exploitation of forests for timber or the commoditization of women as mere sex objects.

Mainstream business organizations consider the natural environment and human persons as mere tools for accomplishing their narrowly-defined purposes and goals. Their dominating self-centered orientation leads to decision paralysis that produces ecological and social destruction on a large scale. The perverse nature of the decisions made by modern business organizations is visible in phenomena such as decision-making under risk and discounting in space and time. Prospect theory and the general theory of discounting can help us to describe and analyze these phenomena (Zsolnai 2002).

To understand this type of perverse decision making, we can turn to prospect theory. Prospect theory (Kahneman and Tversky 1979) states that the majority of decision-makers prefer sure but smaller gains over greater but uncertain gains (i.e. decision makers are usually risk averse in choices involving sure gains). Moreover, a majority of decision-makers prefer to suffer greater but uncertain losses than smaller but certain losses. Decision-makers are usually risk-seeking in choices involving sure losses.

Further, prospect theory predicts that the majority of decision-makers will prefer smaller but certain gains and greater but uncertain losses over smaller but certain losses and greater but uncertain gains. This is because decision-makers are more sensitive to losses than to gains (Kahneman and Tversky 1979).

Risky decisions made by mainstream business organizations often endanger the long-term safety and integrity of the natural environment and human populations. So-called catastrophic

risk is a case in point. The probability of the occurrence of a catastrophe caused by modern, large-scale technologies is usually low, but it is never zero. Yet the potentially negative consequences (losses) can be horrifying, including the destruction of ecosystems and enormous losses to society. Recent examples of these kinds of ecological and human tragedies include the Fukushima Nuclear Plant accident, the Bhopal disaster, and the BP oil spill in the Mexican gulf.

Decision makers usually over-value things which are in the here and now compared to things which are further away and/or later in time. This phenomenon is called 'discounting'. The majority of decision-makers prefer to make gains here and now rather than to make the same gains further away and later in time. Decision makers discount gains that are distant in space and time. This decision logic underlies the perverse and increasing corporate institutional neglect of society and ecology, and the disembedding of companies.

Decision-makers tend to use discount rates to value things distant in space and time. If the distance of a thing in space or/and in time is great enough, then its present value becomes extremely small. Also, the present value depends on the discount rate that is applied: the greater the discount rate, the smaller the present value. The present value of a thing is thus determined by the discount rate and its distance in space and time. If the present generation wished to take into account the needs of two generations in the future and to protect the ecosystem health and the cultural heritage of mankind for three generations – say, 120 years hence – then an extremely low or even a negative discount rate would be needed.

Applying the 'normal' discount rate of 2-5% in business decision-making may increase disembedding. Decision-makers who strongly discount things in space and time are neither interested in solving long-term (or distant) ecological and human problems, nor considering the global impacts of their activities on the natural environment and human communities. The international trade in hazardous wastes is an illustrative case in point. Developed countries transport and dump hazardous wastes in distant and less-developed countries, and do not display much interest in the ecological human health impacts of these materials. Another example is the ultra-low wages of tea plantation workers in India, or other farm laborers who are sometimes paid less than $1.25 per day.

By combining the main lessons of prospect theory and the general theory of discounting we obtain insight into the disembedding of mainstream business organizations from society and nature.

Let us consider the following decision-related problem. There are two alternatives available to a modern business organization. The first is to make a sure gain ('G') here and now and a loss of yL at some point further away/later in time with a probability of $1/y$, where $y > 1$. The second alternative is to make a sure loss ('L') here and now, and a gain of xG at some point further away/later in time with a probability of $1/x$, where $x > 1$.

Mainstream business organizations typically prefer the first alternative (to make smaller but sure gains here and now, and greater but uncertain losses further away/later in time) to the second one (greater but unsure gains here and now, and smaller but certain losses further away/later in time). This means that mainstream business organizations are likely to be engaged in fostering activity which supports here and now options: they may be studying them, devoting power to them, building relationships with them, and advocating or lobbying for them. Similarly, mainstream business organizations are liable to be disengaged with outcomes which are further away and later in time: the tendency is to deny their existence, lobby against them, or maintain a position of silence about them.

A simplified model is presented to illustrate the dynamics of disembededness at the micro-level in the capitalist economy. The self-centered orientation of mainsream businesses leads to the development of disinterest in the environmental and social consequences of activities and policies, leading to functioning which is socially and environmentally disembedded, and, ultimately, which fuels the violance of mainstream business organizations.

2   Nature, Society and Future Generations

Any economic arrangement including maintream businesses affects nature, society and future generations for better or worse. How can economic arrangements be evaluated from a comparative perspective of nature, society and future genrations?

We should define value functions that evaluate economic arrangements from the perspective of nature, from the perspective of society, and from the perspective of future generations.

From the perspective of nature *integrity* is a central value. The notion of ecological integrity was first introduced by the American naturalist, Aldo Leopold (1984) in his environmental classic "A Sand County Almanac". He wrote: "a thing is right when it tends to preserve the integrity, stability, and beauty of the biotic community. It is wrong when it tends otherwise."

Economic arrangements can be evaluated against sustainability indicators that make operationalised the notion of ecological integrity. (Azar et. al. 1996)

Let **A** be an *economic arrangement*. Let **E1,...,Ei,...,Em** be *sustainability indicators*. (**m > 1**)

Ei( ) is an *ecological value function* defined as follows:

$$
(1) \quad \mathbf{Ei(A)} \; = \; \begin{cases} \mathbf{1} & \text{if economic arrangement } \mathbf{A} \text{ is } \textit{good} \text{ regarding sustainability indicator } \mathbf{Ei}; \\ \\ \mathbf{0} & \text{if economic arrangement } \mathbf{A} \text{ is } \textit{neutral} \text{ regarding sustainability indicator } \mathbf{Ei}; \\ \\ \mathbf{-2} & \text{if economic arrangement } \mathbf{A} \text{ is } \textit{bad} \text{ regarding sustainability indicator } \mathbf{Ei}. \end{cases}
$$

Ei(A) reflects the ecological value of economic arrangement **A** regarding sustainability indicator **Ei**.

The following vector represents the ecological value of economic arrangement **A** regarding all the sustainability indicators **E1,...,Ei,...,Em**.

$$(2) \quad \underline{\mathbf{E}}\mathbf{(A)} \; = \; [\mathbf{E1(A),...,Ei(A),...,Em(A)}]$$

To get an aggregate picture about the ecological value of an economic arrangement we should define *weights* that reflect the relative importance of the sustainability indicators. Let **w1,...,wi,...,wm** be such importance weights.

It is required that

(3) Σ **wi** = **1**

The aggregate ecological value of economic arrangement **A** can be calculated as follows:

(4) $E(A) = \Sigma$ **wi Ei(A)**

E(A) reflects the aggregate ecological value of economic arrangement **A**. ($1 \geq E(A) \geq -2$)

Evaluating economic arrangements from a social perspective has been a long-lasting business of welfare economics. Here *well-being* is the central value. However, well-being can be understood in different ways.

Amartya Sen (1992) proposed to understand well-being in the terms of *capabilities*. Capability is primarily a reflection of the freedom of a person to achieve valuable functioning. Hence capabilities can be interpreted as substantive freedom that people enjoy.

Let **C1,...,Cj,...,Cn** be *capability indicators* against which economic arrangements can be evaluated. ($j > 1$)

Let **Cj ( )** *social value function* be defined as follows:

$$
\mathbf{Cj(A)} = \begin{cases} \mathbf{1} & \text{if economic arrangement } \mathbf{A} \text{ is } good \text{ regarding capability indicator } \mathbf{Cj}; \\ \mathbf{0} & \text{if economic arrangement } \mathbf{A} \text{ is } neutral \text{ regarding capability indicator } \mathbf{Cj}; \\ \mathbf{-2} & \text{if economic arrangement } \mathbf{A} \text{ is } bad \text{ regarding capability indicator } \mathbf{Cj}. \end{cases}
$$

(5)

Cj(A) reflects the social value of economic arrangement **A** regarding capability indicator **Cj**.

The following vector represents the social value of economic arrangement **A** regarding all the capability indicators **C1,...,Cj,...,Cn**.

(6) $\underline{C}(A)$ =   **[C1(A),...,Cj(A),...,Cn(A)]**

To get an aggregate picture about the social value of economic arrangement **A** we should introduce *weights* that reflect the relative importance of the capability indicators. Let **u1,...,uj,...,un** be such importance weights.

It is required that

(7)   **Σ uj = 1**

The aggregate social value of economic arrangement **A** can be calculated as follows:

(8)   **C(A) =   Σ uj Cj(A)**

C(A) reflects the aggregate social value of economic arrangement **A**. **(1 ≥ C(A) ≥ -2)**

(4) and (8) assure that the aggregate ecological value and the aggregate social value of economic arrangement **A** are comparable.

Inter-species justice is established if

(9)   **S(A) ≈ C(A)**

This means that the economic arrangement under study provides approximately *equal value* for *nature* and for *society*.

Notice that nature and society do not necessarily represent zero sum or even constant sum games. Economic arrangements may present 'win-win', 'win-lose', 'lose-win' or 'lose-lose' situations for nature and society. While pre-industrial economies typically presented win-win situations, our industrial economies present loose-win or even loose-loose situations for nature and society.

How can economic arrangements be evaluated from the *perspective* of *future generations*?

We cannot know too much about future generations but freedom is a central value here too.

According to Edith Brown Weiss (1989) the freedom of future generations can be assured by satisfying the following principles.

(i)   conservation of options;

(ii)   conservation of quality;

(iii)   conservation of access.

Considering principles (i),(ii), and (iii) *future generations indicators* can be generated. Let **F1,...,Fk,...,Fp** be such indicators against which economic arrangements can be evaluated. (**p > 1**)

Future generations value function **Fk( )** is defined as follows:

$$
(10) \quad \mathbf{Fk(A)} =
\begin{cases}
\mathbf{1} & \text{if economic arrangement } \mathbf{A} \text{ is } good \text{ regarding future generation indicator } \mathbf{Fk};\\[2mm]
\mathbf{0} & \text{if economic arrangement } \mathbf{A} \text{ is } neutral \text{ regarding future generations indicator } \mathbf{Fk};\\[2mm]
\mathbf{-2} & \text{if economic arrangement } \mathbf{A} \text{ is } bad \text{ regarding future generations indicator } \mathbf{Fk}.
\end{cases}
$$

Fk(A) reflects the future generations value of economic arrangement **A** regarding indicator **Fk**.

The following vector represents the future generations value of economic arrangement **A** regarding future generations indicators **F1,...,Fk,...,Fn**.

(11)   **F(A)** = **[F1(A),...,Fk(A),...,Fp(A)]**

To get an aggregate picture about the future generations value of economic arrangement **A** we should introduce *weights* that reflect the relative importance of indicators **F1,...,Fk,...,Fp**. Let **v1,...,vk,...,vp** be such importance weights.

It is required that

(12) Σ **vk** = **1**

The aggregate future generations value of economic arrangement **A** can be calculated as follows:

(13) Σ **vk Fk(A)**

F(A) reflects the aggregate future generations value of economic arrangement **A.**

(**1** $\geq$ **F(A)** $\geq$ **-2**)

(8) and (13) assure that aggregate social value and aggregate future generations value of economic arrangement **A** are comparable.

Inter-generation justice is established if

(14)   **C(A)** $\approx$ **F(A)**

This means that the economic arrangement under study provides approximately *equal values* both for *present* and *future generations*.

If (14) is held then it implies that future generations are not discounted at all. Present generations and future generations are different in their ontological status. Present generations have positively defined real interests while future generations have negatively defined hypothetical interests. For this reason it is not hopeless to reconcile the interests of present and future generations as the experiences of American aboriginal societies show.

Inter-species justice and inter-generation justice are strongly correlated. If (9) and (14) are held together then violence by maintream business can be prevented toward nature, society and future generations. This state can be represented by the following triple of equality:

(15)   **E(A)** $\approx$ **C(A)** $\approx$ **F(A)**

3 Transforming Business

To make meaningful steps toward peace with nature, society and future generations businees should go beyond the market metaphysics and adopt a more *substantive way* of *economic activities*. The substantive meaning of the economy – as Karl Polanyi (1977) pointed out - stems from human beings' patent dependence for their livelihood upon nature and their fellow beings. Humans survive by virtue of an institutionalized interaction between their communities and the natural environment.

If we want to sustain the Human-Earth system for a long time we need a *radical transformation* of *business*. This requires that economic actors have the intrinsic motivation to serve the greater good, and are ready to measure success using broader value categories than money alone. Without these motivational and institutional changes business cannot become a *peace-agent*. Instead, it will generate more conflict and violence.

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