



## NEWSLETTER

ISL NEWSLETTER October, 2016



This issue we focus on outcomes of extreme capitalism and how this led to a major rethink in both Iceland and Thailand following their financial crises. We contrast those disasters with positive change in 2016, occurring as big business pursues the UN's Social Development Goals. Business is at least talking about following a more moral or socially-just form of capitalism. It is wonderful to see what major business organisations say they're doing to create a better world. Let's hope that improvements to the wellbeing of our planet and the life that inhabits it result, and not just hot air.

**Gayle Avery**



*The Institute for Sustainable Leadership is a research-based organisation concerned with creating a better world through evidence-based practices for business.*

*Photo: Olga Mirkina*

### LEARNING FROM DISASTERS: CAPITALISM

We can learn from different countries' responses to capitalism gone wrong: in this case, from Iceland and Thailand.

**Iceland:** Well before the Icelandic soccer team won the hearts of the football world during the 2016 World Championship, its citizens had made a major mark in the world of capitalism. In 1991, Iceland's then government aggressively pursued neo-liberal (locust) principles that eventually led to the collapse of the economy, three banks and the government itself! Martin Hart-Landsberg (2013) describes how Iceland's economy initially boomed, especially between 2003 and 2007; per capita GDP was one of the world's highest; annual average GDP growth was 5.5%; with 1% unemployment. The IMF rated Iceland the world's third-richest nation per capita in 2005. However, elation vanished when Iceland's economy collapsed in 2008. There had been signs: By the end of 2004, Iceland was the world's most heavily indebted country (comparing GDP with gross external debt). In 2006,

warnings were issued about the stability of the Icelandic banking system, the quality of bank assets and that government lacked resources to support the country's hyper-expanding banks if they failed. The worst happened in 2008: Three key banks were forced into bankruptcy, and led to the world's deepest downturn during the GFC. Interestingly, Iceland's citizens held their political leaders accountable, and replaced the neo-liberal government with a social democratic coalition that then engaged in a broad-based economic recovery.

More detail is at: Hart-Landsberg, Martin. 2013. Lessons from Iceland: capitalism, crisis and resistance. *Monthly Review*, 65(5), 26(19).

**Thailand:** Another example of the destructive power of excessive capitalism comes from Thailand around the 1997 Asian Financial Crisis. This crisis caught the Thai people off guard and has left an enduring mark on Thailand. Causes were many including: volatile international financial markets,

weak, corporate governance, failures in domestic policy, greed, weak institutions, poor management, and imbalanced development. A huge foreign debt accumulated from 1993 to 1996; along with high current account deficits; and an excess supply in property and other sectors leading to high, and increasingly non-performing, loans for financial institutions.

Just like in Iceland, Thailand's economic development path had initially created amazing growth and was successful in many respects, but it generated an imbalance. As a result, Thais have been forced to completely re-evaluate individual and national values, policies and development practices. To extract themselves from the crisis and achieve sustainable social, economic and human development, many have turned to the Sufficiency Economy Philosophy.

See Ch. 3, Avery, G.C. & Bergsteiner, H. (Eds.). 2016. *Sufficiency Thinking: Thailand's Gift to an Unsustainable World*. Sydney: Allen & Unwin.

#### INSIDE...

Sustainable Development Goals & business

What are the SDGs?

Business opportunity & community development

Research watch: Recent thoughts on capitalism

Educational program on sufficiency thinking for the G77

# SUSTAINABLE DEVELOPMENT GOALS & BUSINESS

## BUSINESS LEADERS BROADEN THEIR HORIZONS

Among some very interesting people and groups on twitter, ISL is following Richard Branson's BTeam, the World Business Council on Sustainable Development, Paul Polman (head of Unilever) and others calling for business to get involved in sustainable development. See some recent tweets below.

This is a suprising new development in business, reflecting a broadening of concern for CEOs - which is why we are reporting on it here. Much of the tweeting among senior business leaders has to do with achieving the United Nations's Sustainable Development Goals (SDGs) to address many of the major problems we face today.

A bit of background: Before developing the

SDGs, the UN pursued 8 Millennium Development Goals (MDGs) between 2000-2015. According to Ban Ki-moon, Secretary-General of the UN, the MDGs

- helped lift more than one billion people out of extreme poverty
  - made inroads against hunger,
  - enabled more girls to attend school than ever before
  - began to protect the planet
  - generated new and innovative partnerships
  - galvanized public opinion and
  - showed the immense value of setting ambitious goals.
- But we need to do still more.

Ban Ki-Moon emphasised that inequalities persist; progress has been uneven; the poor remain overwhelmingly concentrated in just 5 countries; too many women continue to die during pregnancy or from childbirth-related complications; progress tends to bypass women and those lowest on the economic ladder or disadvantaged because of their age, disability or ethnicity; and



Samsung Blue Earth solar cell phone for India

disparities between rural and urban areas remain pronounced. For more about the MDGs, see [here](#).

In 2015, the SDGs were introduced, to be completed by 2030 (see below for details). This time an appeal was made for business to get involved, something that had been missing from the MDGs.

It makes good business sense to get involved with the SDGs. For a start, business is generating many innovations and new markets, such as the Samsung Blue Earth mobile phone designed for India (see picture). See statistics from [PWC research](#) on the right.

**71%**

of businesses say they are already planning how they will engage with the SDGs

**13%**

of businesses have identified the tools they need to assess their impact against the SDGs

**41%**

of businesses say they will embed SDGs into strategy and the way they do business, within five years

**90%**

of citizens say it's important for business to sign up to the SDGs

**The B Team @thebteamhq** 2c  
The decisions we make for #Climate & #OurOcean will determine the future we leave for our children @WaltonFamilyFdn

**Paul Polman @PaulPolman** 1d  
We need to develop the potential of humanity's most powerful resource, humanity itself, to address the worlds problems we face @OneYoungWorld

**WBCSD @wbcsd** 3d  
Congrats @GlobAgAlliance key collab 4 food security, water & climate by agri-biz #agfutures [bit.ly/2d01kPo](http://bit.ly/2d01kPo)

**The B Team @thebteamhq** 2d  
@WaltonFamilyFdn makes 5 yr \$250M commitment to #Sustainable fishing & restoration of Gulf of Mexico #OurOcean #Philanthropy

**WBCSD @wbcsd** 3d  
Leading the way on sustainability in buildings !

**WorldGBC @WorldGBC**  
The 12 leading businesses & green building projects in Asia Pacific region have been announced for #APNawards2016 [bit.ly/2ceoXG5](http://bit.ly/2ceoXG5)

## WHAT ARE THE SDGs?

### 17 AREAS

The [SDGs](#) consist of 17 areas (see graphic) for each of which a set of specific targets has been set. The aim is to reach those targets by 2030. For example, general targets for SDG 5 Gender Equality include:

- 5.1 End all forms of discrimination against all women and girls
- 5.2 Eliminate all forms of violence against all women and girls in the public and private spheres...
- 5.3 Eliminate all harmful practices, such as child, early and forced marriage and female genital mutilation
- 5.4 Recognise and value unpaid care and domestic work...
- 5.5 Ensure women's full and effective participation and equal opportunities...
- 5.6 Ensure universal access to sexual and reproductive health and reproductive right...
- 5.a Undertake reforms to give women equal rights to economic resources,...
- 5.b Enhance the use of enabling technology...to promote the empowerment of women
- 5.c Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality...

Funding SDGs is estimated to be US\$4.5 trillion per year.



## BUSINESS OPPORTUNITY AND COMMUNITY DEVELOPMENT

### SAMPRAN HOTEL CREATES ORGANIC FARMING COMMUNITY

In September, ISL visited [Sampran Riverside Resort](#) about an hour's drive west of Bangkok. The grandson of the original owners of the property, Arrut Navaraj, has created an extensive network of organic farmers who supply not only his restaurants, but also those of many hotels in Bangkok. This is not only good business for the farmers and hotel, but has revolutionised the health and wellbeing of the entire community.

The owner's grandparents purchased the property in 1962 to grow roses. The rose garden attracted visitors who named the place the "Rose Garden". The business quickly expanded to include a modern hotel, seven traditional Thai houses where visitors could stay, and a special Thai theatrical show that used to attract 1000 visitors per day as they stopped off en route to nearby floating markets.

These days, 44 years later, the site occupies 70 acres; the show is still running, but attracts only 70-80 spectators; only one kind of rose grows on the site; and the focus is now on the hotel as the main source of income along with eco-tourism. Workshops are held daily to teach school children, tourists and guests about Thai culture and organic foods. Topics covered in the workshops include traditional arts and crafts such as sword fighting, kick boxing, Thai dancing, traditional silk and grass weaving, bamboo clap dancing, pottery, silk processing, flower and vegetable carving and making herbal treatments.

Six years ago young Arrut approached local farmers, guided by a Thai

university professor. The aim was to buy organic produce directly from local farmers and cut out the middle men while paying farmers the end price for supplying organic fruits and vegetables. This has since become a private enterprise-led activity for creating an organic value chain. Research is currently underway to determine the optimal value chain or chains, starting with 11 options, working closely with universities.

Initially, the farmers were very sceptical, but a handful agreed to participate. Now, Sampran provides multiple marketing channels for participating farmers to sell through, including farmers markets to target visitors to the resort. Today, these channels have expanded to include a group of hotels in Bangkok, market roadshows, and an online ordering service for individual customers. This has the added benefit of bringing consumers and farmers together to optimise market needs.

The Sampran model seeks to rebalance the supply chain – removing chemicals with their damaging effects on humans, soil and ecology. By removing the chemicals and the middle men (who often exploited the farmers and paid very low prices), the supply chain became more balanced, the farmers happier and healthier, and the hotel receives organic produce.

Today the hotel receives 80% of its fruit and vegetables from local

participating farmers. This takes some organisation. For example, the hotel chef has to plan his menus months in advance, made possible only by organising which farmers are to grow which crops. Prices remain the same for the consumer even without the middle man but the quality is higher. One large meeting a year brings all the farmers and other partners in the project together but coordination occurs mainly via regular farmers meetings. Monthly, 11 groups meet for about half a day each, sharing knowledge and also learning from one another. The farmers visit and help each other acquire and maintain certification as an organic producer.

Adjusting to organic farming can take several years, and farmers need support during this time: Organic purchasers will not buy produce with any chemical contamination, and the middle men will not purchase goods with defects or strange shapes due to lack of chemicals. Therefore, farmers making the transition are shut out of the market while transforming into an organic producer. However, Tesco Supermarkets now assist by buying the farmers' transitional products.

Farmers who break the organic rules are normally expelled from the project or may occasionally be rescued by other farmers in their group who find ways to keep them on the right track.

A significant feature of this project is that it was not initiated by any formal agency, but by a business man with commercial motives. Once again, business is behind social development.



Bottom left, clockwise: Carved vegetable flowers; shop for local products; Thai house; restored waterways at Sampran Resort.

Photos: Harald Bergsteiner

## RESEARCH WATCH

### RECENT THOUGHTS ON CAPITALISM

#### Re-thinking capitalism: What we can learn from Scholasticism?

The macro-level business ethics in Scholasticism contrasts with modern Anglo-Saxon Capitalism, which is very influential worldwide. Scholasticism, developed between the thirteenth and the mid-seventeenth centuries, deals with key elements of free market morality, including private property, contracts, profits, prices, and free competition. For over 500 years Scholasticism tried to understand economic phenomena and business activities and reflected on them from an ethical perspective. Scholasticism offered the crucial lesson of the centrality of justice and the role of practical wisdom in considering market morality. Justice is seen as both a virtue and a principle, and commutative justice (justice in exchanges) with the common good of society as the reference for the Scholastics, is regarded as being especially important. For more, see: Domènec Melé. 2016. Re-thinking Capitalism: What We can Learn from Scholasticism? [Journal of Business Ethics](#), 133(2), 293-304.

#### What did Adam Smith really say?

In both the public and the business world, in academe as well as in practice, the ideas of Adam Smith are regarded as the bedrock of modern economics. When present economic conditions and management practices are criticised, Adam Smith is referred to by defenders and detractors of the current status quo alike. Smith, it is believed, defined the essential terms of reference of these debates, such as the rational pursuit of self-interest on part of the individual and the resultant optimal allocation of goods in free markets thanks to the workings of an “invisible hand.” In this article, Hühn & Dierksmeier question whether this standard view of Smith, the economist, is tenable. The authors provide an extensive review of the extant secondary literature from economists, business ethicists, and philosophers, comparing their assessments to crucial elements of Smith’s theoretical system. As a result, we show that Smith, far from being an advocate of a value-free or even value-averse conception of economic transactions, stood for a virtue-based and values-oriented model of business. Accordingly, the researchers argue current management education and the pedagogy of business ethics ought to be changed, and certain strategic conclusions drawn

for business practice. More detail is at: Matthias P. Hühn & Claus Dierksmeier. 2016. Will the Real A. Smith Please Stand Up! [Journal of Business Ethics](#), 136(1), 119-132.

#### Is the belief in the ethical sincerity of captains of industry naïve?

Yes, according to Alan Bradshaw and Detlev Zwick who argue that the gap between an authentically ethical conviction of sustainability and a behaviour that avoids confronting the terrifying reality of its ethical point of reference is characteristic of the field of business sustainability. The authors do not accuse the field of business sustainability of ethical shortcomings on the account of this attitude-behaviour gap. If anything, they claim the opposite, namely that there resides an ethical sincerity in the convictions of business scholars to entrust capitalism and capitalists with the mammoth task of reversing, the terrifying reality of ecological devastation. Yet, the very illusory nature of this belief in capitalism’s captains to save us from the environmentally devastating effects of capitalism gives this ethical stance a tragic beauty. While sincere and authentic, it nevertheless is an ethical stance that relies on an “exclusionary gesture of refusing to see” (Žižek, in *Violence*, 2008, p. 52), what in psychoanalysis is referred to as a fetishist disavowal of reality. Bradshaw & Zwick submit that this disavowal is fetishistic because the act is not simply one of repressing the real. If it was, we would rightly expect that we could all see the truth if we only provide more or better information to fill the subject’s lack of knowledge. The problem is that the fetishist behaves as if the fantasy were reality. In the case of destructive capitalism, the fetishist disavows that particular reality by believing in another, thus subjectively negating the lack (or gap). Therefore, from the perspective of psychoanalytic theory, Bradshaw & Zwick submit that the gap between attitude and behaviour is best understood not only as an ethical flaw, but also as an essential component of an ethics that makes possible the field of business sustainability. More detail behind this argument is at: Alan Bradshaw & Detlev Zwick. 2016. The Field of Business Sustainability and the Death Drive: A Radical Intervention. [Journal of Business Ethics](#), 136(2), 267-279.

## EDUCATIONAL PROGRAM ON SUFFICIENCY THINKING FOR G77

### THAILAND’S LEGACY AFTER CHAIRING THE G77

ISL is delighted to have been commissioned to design an [educational program](#) for the G77 countries. This program on sufficiency thinking is being done together with the Thailand Sustainable Development Foundation and the College of Management, Mahidol University in Bangkok.

Last month, the Prime Minister of Thailand presented the program to the United Nations as part of his country’s legacy as Chair of the G77 during 2016.

Planned to begin in May 2017, the first cohort will include high-level dignitaries from the 134 G77 countries. Considerable interest in such a program was aroused during meetings in Bangkok, where G77 delegates heard about the Sufficiency Economy Philosophy that has been successfully applied to many institutions in Thailand. Thailand has an eminent record in implementing sufficiency thinking in community development, business, agriculture, environmental projects, education and health, among other spheres, as our recent book, [Sufficiency Thinking](#), documents.