

## Ethical Globalization: A Sustainable, Equitable Approach

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### Abstract

*The central thesis of the paper is the failure of globalized business practice to address the social ethical concerns relevant to human and commercial behavior. As a result, globalization has produced very inequitable outcomes based on class and wealth. Specifically, the benefits have largely accrued to the rich, while bringing meager benefits and even net costs to the working class. In answer to the generalized justifications of globalization, the paper cites the many weaknesses of the globalization phenomenon in terms of its impacts on workers, the environment, and the economies of both developed and developing countries. It cites the greed and sociopathic tendencies of business leaders who use cold economic rationality in place of social ethics such as compassion, caring and fairness in deciding global investment strategies as causes for these damaging externalities. Finally, it offers solutions in terms of Integrative Economics and Stakeholder Theory and calls for personal renewal and the embracing of internalized values that counter the “economism” of purely rational profit maximization.*

**Keywords:** globalization, economism, stakeholder management, business ethics

### Introduction

#### Globalization - The Problem

The phenomenon of globalization is decidedly one of the major socio-economic phenomena of the last 50 years. It is almost universally lauded by corporate CEOs and even heads of State who see it as the way to bring technological progress and greater material wealth to billions of people in less developed countries through better paying jobs and greater material abundance overall. (Basu, 2006) “Everybody wins with globalization.” is the dominant mindset among multi-national corporations and politicians. The main purpose of this work is not to evaluate the claims for justification made by the corporate leaders, but to take issue with the manner in which globalization has been carried out. While it is admittedly true that economic development has raised the incomes of workers in many poorer countries, these macro level effects do not mean that globalization has not significantly harmed human quality of life in significant ways and that much could be done to improve these failings. Similarly, it is argued that, while capitalism has helped increase standards of living over the past 200 years, it has also resulted in child labor abuse, industrial workplace accidents and illnesses, negative psychological impacts of a money obsessed top management as well as widespread environmental despoliation. As an example, consider the story of Thomas Midgely who invented leaded gasoline and Freon gas refrigerant. Both these inventions helped cars run better and allowed food to be stored longer and yet the overall health effects have been horrific. (Nriagu, 1990) (Rowland, 2006). Thus, it is fallacious to justify the many negative effects of the manner in which globalization has been carried out by arguing that it has done much good in terms of income and job creation. The negatives involve serious ethical violations that can in no way be justified by appealing to some macro level “benefit”.

In contrast to the often-purported justifications, there are some prominent individuals such as Professors Klaus Schwab<sup>i</sup> and Peter Ulrich<sup>ii</sup> who decry the negative effects of global profit driven capitalism on the overall quality of life, the environment and on the problem of “inequality” in incomes i.e., a greater gap between the very rich and everyone else. (Schwab, Global Corporate Citizenship, 2008)

Yet it is true that globalization has failed to provide a workable model for feeding the 7.7 billion humans and creating a means of self-actualization. (Wade, 2004) What has in fact happened, is massive increase in corporate earnings available to multi-nationals that offshore their operations and substitute cheap labor with very little in the way of workplace regulations and taxes. Since prices in general are “sticky downward” this means revenue stays high from domestic sales, while offshore production costs plummet with the result being huge increases in profits with stagnant or declining real wages at home. The fact that inflation adjusted wages in the USA have not increased for 43 years (Desilver, n.d.) is quietly ignored, as is the fact that wages have lagged significantly behind productivity and the average income of the top 1% of earners. (Gilson & Perot, n.d.), (Derek, n.d.) As for its impact on inequality, in many cases inequality has increased. (Ayenagbo, Dessougmba, Njobvu, Houmgbo, & Faye, 2012), (Wade, 2004). The central concern is that while globalization has increased corporate earnings, it has not had a concomitant effect on wages and in some cases, workers are earning less. (Levy & Kochan, 2012).

In addition to the worker effects, there are other negative effects such as environmental despoliation and global climate change (Curtis, 2009) as well as the destruction of traditional cultures in favor of a global mono-culture. (Kraidy, 2002) All these effects are profound and deleterious in their effect on human life quality.

### ***Central Question of the Paper***

The central question this paper addresses is:

Why did this phenomenon occur? What is the motive of the major players that drove such a life changing, world transforming socio-economic mega trend? (Garrett, 2000)

To investigate the dilemma of global capitalism that fails to meet stakeholder needs, let us examine the historical dominance of agency vs. the more recent philosophy of stakeholder theory as major intellectual underpinnings of modern management. Agency theory holds that managers are agents of shareholders and their responsibility is to maximize profits subject to existing law. Agency theory has been dominant ideology since the 19<sup>th</sup> century and has been unchallenged until relatively recently. (Hill & Jones, 1992) In contrast to the above, with stakeholder theory top management acts as agents of stakeholders such as workers, customers and society in addition to shareholders and strives to meet their profit expectations. It is noteworthy that in both philosophies the stakeholders other than shareholders have mainly instrumental utility, i.e. they are important because of their potential to help or hurt profits depending on how they are treated and served.

Agency theory is most congruent with traditional capitalist models such as that espoused by Adam Smith. Agency theory explains the behavior of MNCs and explains the predominance of the profit motive over the stakeholder focused approach. For example, the closing of US factories and destruction of good paying manufacturing jobs the use of slave labor in Chinese factories making Nike shoes as well as the environmental despoliation and cultural degradation associated with the consumerist mono-culture attendant upon global foreign investment all support the notion that globalization is driven by agency theory based profit seeking and not by a stakeholder based desire to benefit a broader collection of stakeholders, namely workers and customers.

### ***Systemic Problems in traditional laissez-faire capitalism***

The problems described above stem from the ethical deficiencies in free market ideology which others, including Ulrich (2008) have noted, leaves no place for ethics. Free market ideology means profit maximization which takes precedence over any restraint in the name of ethical considerations. *This is not to assert that profits are bad, but to point out that if management's goal is to maximize profits, then ethical considerations have no place at the table.* Sadly, when managers ignore ethics to maximize profits, they also do so at the expense of stakeholder interests which contribute to the long-term sustainability of the firm and lead to a better quality of life for humans overall. Profit maximizing is akin to an egoist ethic whereas stakeholder management is akin to a utilitarian ethical orientation. Experience tells us that individuals selfishly grabbing all the money they can, in short term orientations, does not somehow lead to a better life for all overall as many misinterpreted Adam Smith to teach. Or, in the colorful vernacular of former presidential candidate Ross Perot, "The trickle down didn't trickle!" The trickling down doesn't happen because that is not the goal. The traditional goal is profit maximization not quality of life for workers or a healthier environment. This is caused by society being wedged into the economy rather than the economy being fitted to society. The ethical shortcomings are naturally massive, and the human and environmental toll is devastating. The machinations of the free market, unchecked by management concern for stakeholders or sustainability, gave us the worldwide financial crisis of 2008 with the ultimate ramifications still to be experienced. The captains of industry which rule global capitalism behave in a socially Darwinist mode of every man against every other and operate on the premise that profit maximization is above question or doubt. In fact, the amoral nature of capitalism as practiced is completely at odds with the social norms and normative ethics people grow up with. We are taught that kindness, honesty, loyalty, sharing, avoiding greediness, and avoiding using people as a means to an end are all ethical principles upon which a free, happy society must be built. And yet, the ideology of profit maximization and laissez-faire economics is conspicuously absent of these. Instead, the teachings are that winning and dominating and destroying one's competition is what matters. Such a set of values is associated with sociopathy. And so, CEOs can shut factories by the thousands in the US, destroying millions of jobs, putting seniors out of work without one pang of conscience because such cold destruction is justified by the super-ethic of profit maximization or economism. (Ulrich)

### ***The Impacts of Globalization on workers, the environment and culture***

While making profit seems to be the central aim of globalization, and may involve the Dark Triad, and greed etc., rather than a simple drive to survive, one could argue that benefits have indeed accrued to the public in the form of lower prices due to the use of cheap labor and realization of global scale economies. Additional job creation and employment has also brought higher incomes to India and China. Lower prices coupled with higher per capita income has led to an economically improved quality of life.

Better houses and more consumer goods are the result. A closer examination of more than monetary results however, yields a wealth of impacts that make it much less clear whether globalization is helping or hurting less developed countries. The following sections discuss impacts in terms of worker welfare, the environment, economic and national culture.

### **Worker Impacts**

Research has shown that globalization has overall had a net negative effect on wages and employment in developed countries. (U.S. income inequality, on rise for decades, is now highest since 1928, n.d.) (Income Inequality, n.d.) This is partly due to the job losses associated with offshoring, (Levine, 2012), (Kletzer, 2005). Less researched is the effect globalization is having on worker welfare including wages and work conditions in other countries that have been the objects of significant global capital investment. (Inside Apple's Chinese Sweatshop Factory Workers Are Paid Just £1.12 Per Hour to Produce iPads and iPhones For the West, n.d.) The global economy has exposed local markets in developing countries to massive influx of goods that has swamped supply and driven down prices. This is how Wal-Mart has driven many small businesses in the US into bankruptcy when they enter a new area or market segment and lead customers to abandon traditional stores and flock to Wal-Mart in search of lower prices. When a DC accepts loans from the IMF-World Bank they often must agree to open their markets to global competitors and benchmark prices against their prices. These global competitors have large scale economies and thus the domestic firms cannot compete. This does have the effect of lowering prices for those unaffected by the bankruptcy of these domestic businesses, but the impact of business closure, layoffs, and the secondary impact of supporting industries experiencing higher bankruptcies is not being factored in. Lower prices in the US from the influx of global suppliers has indeed lowered prices on many non-durable and durable goods, but this has been accompanied by massive layoffs of the working class and the off shoring of industries such as the manufacturing of electronics, textiles, garments and shoes, steel, and automobiles. This loss of good paying union jobs over the last 35 years partly explains the flat income trend of working Americans since 1973, (Desilver, n.d.)

Therefore, globalization does not only bring jobs to previously impoverished areas as proponents argue, it also negatively affects prices in those same industries. This is similar to how Amazon or Wal-Mart may bring new jobs to an area as they also drive local businesses into ruin and cause displacement of the workers formerly employed by the local firms. In India the loss of cottage industries has been extensive causing economic hardship in rural areas and a resulting population migration to urban areas already burdened by overtaxed infrastructure, health care facilities and housing. So many millions of people living close to each other also increases pollution significantly as mega-cities become toxic centers of air and water pollution.

The phenomenon of globalization has been undertaken to maximize corporate profits. It has been driven by the desire for more profits. The relocating of factories and the industrialization of formerly third world countries has been undertaken to maximize or increase profits. China is the biggest polluter and contributor to global warming among nations (Wong, Air Pollution Linked to 1.2 Million Premature Deaths in China, n.d.) (Kahn & Yardley, n.d.). It is seeking profits and growth and is not prioritizing worker happiness and welfare, personal development, the environment, or even its own cultural integrity. Suicide nets outside the dormitories of Chinese workers is not indicative of job satisfaction (Moore, n.d.). China has partnered hand in hand with the multi-national western corporations to maximize its own financial welfare. In terms of public relations, corporations have worked hard to convince working people in the US that globalization is a net gain for society. On closer inspection that is misleading because globalization has largely benefitted the 1% and left the working class with a loss of wages and benefits. The institution of unions has largely been destroyed by globalization. The result has been decreasing or flat working wages. This has occurred by design. Worker welfare, culture and environment have all been willfully ignored and deemphasized in direct contradiction of stakeholder preferences. (Sweatshops in Bangladesh, n.d.)

The much touted and defended panacea of globalization as an altruistic exercise in making the world a better place for the masses is in truth a political and economic phenomenon that has left US manufacturing a hollow shell. Lost purchasing power and increasing debt at all levels and two earner households have been the result. Americans, in a futile attempt to maintain their previous quality of life, are working themselves to exhaustion and going deep into debt. The Federal Reserve Bank is doing its part by printing money out of thin air and keeping interest rates absurdly low, negative when adjusted for inflation. This scenario is not sustainable because a false affluence based on debt is not sustainable. Ultimately this will result in a drop in consumption in America, still known as the "World's consumer of last resort". This will of course devastate export driven economies like China, India and the oil producing countries leading to a chain reaction, global recession. Already economists are warning that growth in consumption simply cannot be sustained given the Earth's resources and *endless globalization*, which depends on endless growth to offset the high transaction costs of moving factories, goods, and material all over the world

doesn't make sense anymore. This realization is leading some to predict a return of the pendulum to a more nationalist, local based economy where there is significant trade based on national advantage but not massive job offshoring that brings all laborers down to a sustenance wage level in the interest of serving the dictates of the "free market". The Trump administration's trade policy initiatives reflect this change in priorities.

The International Labor Organization (ILO), created by the Treaty of Versailles after World War 1, has been trying to enforce standards stemming from the 1974 US Trade Act which defines internationally recognized worker rights to include “acceptable conditions of work with respect to minimum wages, hours of work and occupational safety and health.” Despite the noble purpose of the ILO, it has little power to affect change other than publishing reports.

It cannot issue trade sanctions or affect the profits of the companies that violate these standards. In fact, countries such as China vigorously oppose any tariffs tied to working conditions. Thus, globalization has created industries where worker rights and safety are not a priority. Whatever the workers were doing before the factories were built is irrelevant. The new reality is factory work and that often involves hazards that have long been outlawed in the US. Despite this, companies such as Nike have no problem with using these factories to manufacture their products. In fact, sports stars like LeBron James have been called out for accepting sponsors that use Chinese labor and other sports stars have called him out for his insensitive decision.

### ***Environmental Impacts***

The increased industrial activity resulting from globalization has increased environmental despoliation. It stems from greater transportation of good resulting in emissions of exhaust, habitat destruction from highway construction and invasive species problems from shipping containers.

Additionally, the need to attract foreign capital tempts DC to expend little effort to control pollution since these efforts cost money. The way for the DC to attract foreign capital is to keep wages low, spend little on pollution curtailment and have very lax laws in terms of worker abuse and safety. This allows firms to offer excellent prices for foreign firms buying their output and as mentioned, the profit motive is dominant in globalization.

Beijing, the capital of China, is one of the most polluted cities in the world (Chan, Yao, & Yao, 2008) and China itself is the largest producer of greenhouse gases which contribute to global warming. (Vidal & Adam, n.d.) China produces one quarter of all greenhouse gases and three times as much as the United States which has a similar total GNP. (Parker & Blodgett, 2013) The main culprit is their reliance on coal which produces one-third of all their energy and yet is notoriously polluting. Additionally, China through its Belt Road Initiative is financing the construction hundreds of coal fired power plants throughout the world. The obvious question is, is this construction and continued use of coal driven by a concern for stakeholders’ welfare or the pursuit of profits? The government of China does not hold elections and is known for human rights abuses and religious persecution, so stakeholder welfare is not the cornerstone of their national policy, but that profits and global power projection are the main priorities. The destruction of the Amazon rain forests and the air and water pollution by China must be drastically reduced to avoid continuing climate change. (Wong, Beijing Air Pollution Off the Charts, n.d.) Environmental destruction is a problem for all humans because the degree of despoliation from major polluting nations is large enough to affect global living conditions including global warming. (Kaiman, n.d.) There is a cascade effect whereby one problem of severe pollution affects other ecosystems which in turn affect the physical and economic welfare of other peoples around the world. In summary, the planet has an interconnected ecosystem so that significant pollution problems have far reaching effects.

### ***Economic Impacts - Third World Indebtedness***

Developing Countries debt has reached crisis amounts over the past 25 years.

It is sensible to understand that indebtedness is sometimes needed to gain access to capital which is needed for investment. For many developing countries, the need to build hospitals, schools, and highways for example, requires debt. These countries that are short of cash reserves and tax revenues. It requires a certain level of liquidity and cash flow to make major capital investments. For developing countries, these do not exist and so a function of the World Bank is to make such development loans as needed. This debt is issued by the World Bank which then creates conditionalities that impact macroeconomic policies in that country. This may seem appropriate since bankers do not just issue loans as gifts, and their risk of default may decrease if prudent macroeconomic policies are instituted which increase national solvency and ability to repay. In truth, these policies result in the need for more borrowing to bring the country into compliance with previous conditionalities and so the country sees its GNP not being used to build schools, highways, railroads, and hospitals but rather to pay the increased interest on the increasing loans, borrowing to make loan payments. Since the nineties, the trend has been for developing countries to pay back significantly more than they borrowed calls to mind the credit card victim who ends up paying \$50,000 on an original balance of \$20,000 with the balance still existing! Brahma Chellany has coined the term “debt trap diplomacy” in reference to practices whereby developing countries must open their assets and infrastructure and resources up for foreign ownership to receive continued loans. (Chinese Diplomacy, BRI and 'Debt-Trap' in Africa, n.d.) The problem here is that the very ability to repay is hampered by their loss of ownership of income producing assets. Additionally, there are often stipulations that the contracts associated with spending the loaned funds be made with firms in the creditor country. So as the loan comes right back to the creditor country and if there is any default, the assets of the debtor country come under ownership of the creditor country also.

This is a questionable practice that smacks of exploitation and is contrary to the spirit of integrative economics, which places caring and helping ahead of profits on the ethical hierarchy. The argument here is not that loans be given unconditionally, but that stipulations on the debtor country not be as burdensome and predatory as to create a debt trap.

### ***The Solution***

What must occur for a change in this power based, dominance oriented situation to occur? That is, how can economic progress serve to increase life quality for all stakeholders instead of primarily benefitting the uber-rich?

### ***Bureaucratic Solutions are Ineffective***

Unfortunately, the solution offered by Professor Schwab is not a greater role for the individual, but rather a subordination of individual and national sovereignty to a global non-elected power elite that will somehow distribute the spoils of business activity in a more equitable manner while somehow satisfying the investors providing the corporations with funds as well as workers who provide their labor and expertise in return for wages. While the World Economic Forum rightly bemoans the failure of global capitalism to reduce wealth inequality and provide improved work conditions, its main solution involves the creation of a global management and research bureaucracy largely unaccountable to individuals, yet that will somehow improve the lives of the faceless working class.

Therefore, it is very doubtful the creation of a new global level of bureaucracy that will somehow manage inputs and outputs and thus enforce a sort of global egalitarian society. This sounds like a rehash of failed ideology of socialism operating at the global level. Global socialism will not help the working class any more than it helped the workers in Britain, India or more extremely the USSR and China. (Mohr, n.d.) (Stiglitz, n.d.) (Elijah, 2007) The solution is also not more capitalism that is unaccountable to the masses. For obvious reasons that it isn't working, so why continue that which is dysfunctional? China is an example of a state where the masses are repressed at the same a capitalistic elite enjoys fantastic wealth and power and is building an industrial and technological powerhouse. Therefore in China, there exists the seeming paradox of a wealthy capitalistic elite ruling over a disempowered worker class that is monitored, controlled and without power. This situation is becoming generalized to the entire world and the result will be less concern for the workers and their quality of lives than exists now. The answer to this dilemma is not more bureaucracy and government control at the global level because massive bureaucracies have never in the past served to address stakeholder interests so it is unreasonable to think that creating even more bureaucracy will work this time. Global government will not reign in global capitalism and improve workers lives. Nor will the Invisible Hand of the free market work in a mysterious way to make wealth trickle down when the Invisible Hand and its systems oriented mechanism overrides ethical concerns and the profit motive supercedes ethics of compassion, caring and equity.

This paper offers a normative articulation of stakeholder theory as an alternative to the laissez-faire approach by society to globalization, and is aligned with the integrative economic theory of Edward Ulrich. (Ulrich, *Civilizing the Market Economy: The Approach of Integrative Economic Ethics to Sustainable Development*, 2010) (Ulrich & Fearn, *Integrative Economic Ethics: 'Inherent necessity' of competition? A critique of economic determinism*, 2008). This author contends that seeing stakeholders as having only instrumental value avoids and falls short of the ethical imperative to place human welfare above profits and to serve the interests of people for their own sake rather than their instrumental value. The reason being that the market mechanism itself subsumes the ethics of social interaction and forces all players to profit maximize or die figuratively. In contrast, the concept of "profit optimization" developed by Ulrich holds that an ethics of caring and mutual respect must be wedded to the pursuit of excellence when engaging in profit seeking ventures. One cannot separate profit seeking commerce from the ethics imperative that is central to human interaction and mutual endeavor. Yet when examining the globalization phenomenon, one sees very little being undertaken for the sake of human welfare, dignity and improvement and very much being done for the interests of shareholders, namely the maximization of profit.

Ulrich goes on to contend that capitalist systems actually enslave participants into an economic determinism that forces them to compete or die financially. He sees that as a sort of systems theory bondage. While it is true that everyone in order to survive must work, it is incorrect to contend this is a form of slavery to the system of profit seeking and the free market. Rather this is a physical necessity that is legitimately borne by the individual. As Paul the Apostle wrote "If anyone shall not work, neither shall he eat" <sup>iii</sup> This rule is simply a consequence of the ethic of personal responsibility and not being rent seeking. The necessity for all to work in order to eat is not a form of slavery. To the extent capitalism demands that one must work to eat, it is not "enslaving" but merely enforcing the moral code that it is wrong to eat from the fruits of others labor if one is able to provide for oneself. It is also not driven by a justifiable desire to stay alive or by the enslavement of the free market to play the game of profit maximization or cease to exist.

Indeed psychopathy and the need to dominate as expressed by the “Dark Triad” of psychopathy, narcissism and Machiavellianism, (Myung, Choi, & Kim, 2017) is common among senior executives and present in those who drive multi-national corporations to close factories and tolerate inhuman work conditions in the factories they build or use in foreign countries. In the 1980’s alternative theories arose based on social justice theory (Rawls, 1985) and the ethics of caring (Saunders-Sault, 2011). Additional ethical theorists have used Kohlberg’s stages of moral development as a benchmark for evolved organizational managerial ethics.

In Kohlberg’s model, the stages progress from selfish concern with avoiding punishment and gaining rewards to an observance of universal theories of ethics that go beyond justice and even the spirit of the law (Cherry, n.d.). Stakeholder theory holds that by managing a firm not just for the benefit of shareholders but also for the benefit of customers, worker and the general public, the firm will actually be more profitable and stable over the long run than if they cared only about shareholder returns and wealth. RE Freeman is viewed as one of the creators of this management approach and philosophy, (Freeman, Wicks, & Parmar, Stakeholder Theory and The Corporate Objective Revisited, 2004), (Freeman, Harrison, Wicks, Parmar, & Colle, 2010). He explicitly contends that stakeholder theory is justifiable as being a better way to do business than the more traditional agency theory.

The response needs to be profit *optimization* which seeks long term sustainability and a sharing of the fruits of innovation, creativity and effort with workers, customers, and citizens. (Coming home: A growing number of American companies are moving their manufacturing back to the United States, n.d.) (Coming home: A growing number of American companies are moving their manufacturing back to the United States, n.d.) (Petitjean, 2014) (Petitjean, 2014) Improved production technology coupled with higher wages, profit sharing and training are the hallmarks of a sustainable integrative approach (see Figure). Investment and capital creation rather than profit taking through offshoring and buybacks must be the bedrock upon which a sustainable future system is constructed. (The Ten Principles - UN Global Compact, n.d.) To stand at the dawn of amazing advances in technology and medicine and squander all that potential gain on selfish, destructive greed driven systems of domination and wealth control is folly and wickedness of the highest order.

### ***Individual Renewal of Mind and Spirit***

*“Only when the parties to a conflict regard themselves in principle as members of the same moral universe of all human beings will they be in any way motivated to reach an agreement on a peaceful and just solution and so to abandon the power principle in favor of the moral principle in the solution of conflicts.”* (Ulrich, 2008)

And yet do they consider themselves part of the same moral universe as workers? Research shows that 12% of corporate leaders are psychopaths, (Fritzon, Bailey, Croom, & Brooks, 2016), several times higher than the general population. Ironically this megalomania does not increase profits, but rather leads to rash decisions based on delusions of invincibility and decreases profits! <https://onlinelibrary.wiley.com/doi/abs/10.1111/eufm.12244>.

Given the psychological characteristics of senior executives, the solution requires individual change which must occur in the hearts and minds of those with the actual power. The billionaire elite that owns the productive resources as well as the plutocrats in China must simply experience a renewal of mind an attitude and adopt an ethic of caring based in the time tested mutual concern for other humans. Greed and power seeking must be tempered with concern and caring. Only an individual change of heart will help the workers of the world in this day. Progressive political movements did effect significant worker gains in the first 40 years of the 20<sup>th</sup> century in the United States as a result of individuals creating political pressure to effect laws that many abusive, anti-competitive tactics illegal. Legislation limiting worker hours and allowing union formation and the elimination of child labor changed the lives of the working class significantly from 1900 to 1940. The results of this progressive phase included the massive increase in the middle class that occurred from 1945 to 1970 in the US. (Nugent, 2010). In these cases political pressure that changed overall public sentiment started in the hearts and minds of individuals who brought the truth of the exploitation and abuse to the masses who then voted accordingly.

The mindset, the priorities of senior managers and policy makers must shift from a power and dominance focused ethic to one of caring. People live best when they are held accountable but also treated with kindness and fairness. In the present mindset, the goal of globalization is greater market power and profitability. There is no awakening happening where managers fundamentally care about more than profits. This is largely due to the reward systems that are heavily weighted in favor of the bottom line. Failing to meet shareholder expectations in terms of profits gets one fired.

Figure 1 proposes a sustainable process of globalization that prioritizes stakeholder welfare. It begins with a drive to globalize to serve stakeholder interests as opposed to merely profit maximize. This is necessary if the fundamental ethics orientation is to shift from the present agency based, profit focused economism where all ethical considerations are subordinated to profits. Instead, stakeholder welfare is the primary priority and objective as a result of a politically based market overseen by and for the people.

The result of this orientation is enhanced worker skills and wages. Training and wage increases coupled with a conscientious consideration of worker needs replace exploitation, slave labor and suicide nets. The profit motive is also served because better training leads to higher technology processes and less accidents, turnover, and suicides, (Reagan, 2021). This dynamic illustrates the fact that stakeholder orientation increases profitability, as studies now show. In addition to worker development, corporations must commit to reducing pollution of all kinds.

The emphasis on stakeholder welfare from a global not just local perspective then leads to higher profits as studies show. Better trained workers and improved manufacturing facilities lead to more productivity and less accidents and turnover. Better environmental conditions decrease long run costs associated with a ruined environment.

Air pollution is so severe in China that 16 of the 20 most polluted cities are in China. Certainly, the air and water pollution are causing huge medical bills and accommodation costs that would be avoided were the pollution be reduced.

The increase in profitability associated with the enlightened profit optimization approach provides the incentive for increased investment in, and commitment to this stakeholder-oriented cycle. It becomes self-perpetuating because it really does provide increase in net benefits for shareholders as well as other stakeholders.

**Conclusion**

This paper has attempted to point out some of the many shortcomings associated with large scale globalization of business activity driven by a Darwinist approach to capitalism and relatedly, profit maximization. It has also provided an alternative resting upon the superior ethical foundation of integrative economic and stakeholder theories of Ulrich and Freeman. The central point is to prioritize people and societally validated ethics based in caring and compassion as opposed to the self-validating, circular reasoning of laissez-faire capitalism. So far globalization has admittedly driven down the prices of many consumer goods and provided jobs to many previously poverty-stricken people. The increased GDP of both India and China, which have a combined population equal to 37% of the world’s population, attest to this material benefit. But it is critical to understand that this has been the result of increased economic activity and not the way it has been carried out. These increases could have also occurred and with much less in the way of negative externalities had the global investment rush been carried out with a concern for people primarily. Had the stakeholder and integrative economic approaches been used instead, the benefits in the form of cultural preservation and respect, worker conditions and health, and environmental welfare would have been significant. The fact the billionaire class has made fantastic sums over the past 25 years and that a tiny portion of this has trickled down to the working class is no consolation.



Figure-1

Sustainable Stakeholder Based Globalization Model

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<sup>iii</sup> 2 Thessalonians, Ch. 3, verse 10, The Bible, New Testament