

Bad Apples from a Sickly Tree

Recognizing the Worst Abuses, Calling for Systemic Change

Summary of Remarks by Joseph E. Stiglitz, keynote speaker at the 2012 Public Eye Awards

We live in a closely integrated world, where what one person, one firm, one country does affects others—sometimes for the better, often for the worse.

In the age of globalization, social phenomena and business endeavors of any significant scale are never just local in scope. There is no longer any credibility—if there ever was—to the interpretation of Adam Smith's ideas that suggests firms' pursuit of self-interest leads, as if by an invisible hand, to the well-being of society.

Not even Adam Smith really believed that, but certainly no one today should. Banks' unbridled greed led the global economy to the brink of ruin. Unchecked exploitation of natural resources and the burning of fossil fuels have pushed our planet to the brink of environmental catastrophe.

To protect our planet, to protect our society, we rely on two things. On one side, we need government regulations to prevent abuses. But we also need more—individuals and corporations must broaden their understanding of self-interest. The earth's most privileged individuals and societies will not remain forever insulated from consequences. It is in everyone's interest—even the richest 1%—that our planet thrive, that the divide between the haves and the have-nots not be too excessive. For firms, this entails *corporate responsibility*, going beyond the minimum required by the law to protect the environment, to treat workers with decency and fairness, not to exploit all the advantages that asymmetries in bargaining might afford. And it entails advocating for legal frameworks that protect labor and the environment from less responsible firms.

Some firms have done an outstanding job—and some firms have excelled in the opposite direction. Take finance. Leading up to the global crisis, some financial firms actually did what they are supposed to: they managed risk and allocated capital where it was needed most. Others engaged in predatory lending, excessive risk-taking, active discrimination, insider trading, and fraudulent behavior. Some of these firms have been caught, but many others have managed to barely stay within a flawed legal framework—which they helped design, through lobbying and other activities, to give them enormous latitude for exploitive practices.

When I look at the finalists for this year's Public Eye awards, two things immediately strike me. For one, it is remarkable how ubiquitous some of the firms with the most deplorable practices are in contemporary life. This year's nominees are companies in fields as diverse as finance, energy, mining, and electronics. Even the most socially aware consumer would be hard pressed to avoid buying their products and services, directly or indirectly. This emphasizes the need for better legal frameworks—as well as the importance of efforts like these awards, which use shame to compel better voluntary behavior.

The second thing that strikes me—and this is quite depressing—is what stiff competition this year's nominees faced. Though I was not on the selection committee, I can think of many other candidates—in a range of industries—that would qualify for top listing in this dishonor roll.

So let the lesson of the 2012 Public Eye awards be this: with these nominations, some of the worst examples of corporate irresponsibility in the last year have been identified. What is needed is not just a recognition of what is wrong with, say, their environmental and labor practices, but systemic improvements—to incentive structures, legal frameworks, and our expectations and demands of corporations, as global citizens. Only then can we hope to see a world where sustainable and equitable business practices are the norm, and not the exception.