

Green economy and ethical challenges

Temahefte 6 fra Etisk råd 2015











Green economy and ethical challenges

Introduction

This lecture titled Green economy and ethical challenges is about some of the challenges we have to face, changing the world and its present economical laws.

The lecture was held by Svein Nordenson (picture), member of Tekna's Ethical Council, for students at The Norwegian University of Technology and Natural Sciences in February 2015.

The following text is brought in from the subtext of the PowerPoint presentation of the lecture with some minor changes. The numbers in the text are acording to the numbers of the slides. The pictures are gathered from the presentation file, but are here placed as design elements in the publication. The design job was done by Anne Edholm at Tekna.



Svein Nordenson, leader of Tekna's Ethical Council (2014)

Oslo, spring 2015

John Mikal Raaheim Secretary of Tekna's Ethical Council

A dramatic introduction to the topic

He followed instructions and orders



- (1906-1962).
- One of the major organizers of the Holocaust under the Second World War.
- Captured1960 and brought to court in Israel.
 - A major point in his defense before the court was that he had under all circumstances followed instructions and orders from his superiors.

Otto Adolf Eichmann As an introduction to today's topic we will start with Otto Adolf Eichmann (1906-1962).

> He was an SS-lieutenant colonel and one of the major organizers of the Holocaust under the Second World War. He was in 1960 captured in Argentina and taken to Israel to face trial in an Israeli court on 15 criminal charges, including crimes against humanity and war crimes.

A major point in his defense for his actions in court was that he had under all circumstances followed instructions and orders from his superiors.

The Eichmann case might today seem obvious. The trial against him stated that he had a personal responsibility for his actions! He could not hide behind his superiors and their orders.

Could one think of a situation where this is not so obvious, where you would have to think twice or more whether you should follow instructions and orders, or take a personal responsibility and disobey them, and by that perhaps bring yourself in a difficult situation? To disobey orders could also be, in some cases, illegal.

Let us imagine a situation where you risk losing your job if you do not follow orders. What you are asked to do is illegal. The chance that noone will ever know or ask why is on your side with a good margine, as you can see it. Besides, you have personal obligations that you cannot cope with if you lose your job now. What shall you do?

About ethical reflection

The Norwegian philosopher and management trainer, Leif Runar Forsth, assert that you values provide us with guidance in our daily lives; they give us direction in our lives.



You are better off if you have sorted out what your core values are. Resolving our ideas on ethical values makes ethical reflection easier. It enables us to be more efficient both in our reflection and in our decision-making. Resolving in ad-

Leif Runar Forsth vance, what we stand for and what we regard as important, will help us to navigate faster and more safely.

It becomes easier to practice what one preaches, to be able to live with oneself, or, in other words, to act with integrity and openness. This is of great value for you if your plan is to become a manager.

There are some general principles and values, which are more or less general.



Immanuel Kant

The philosopher Immanuel Kant is famous for his Categorical Imperative, stating that you should always act as if what rules your actions could be a law that could be followed by everyone. This is a call for us to be aware of the consequences of what

we do onto others. What would we feel and think if we were they? This is a way to develop empathy.



William Brett, Lord Esher

The English lawyer and judge William Brett, known as the first Lord Esher, established the principle of duty of care in legal practice. This could be seen as a forerunner for the principle we know today as **The Precautionary Principle**, meaning the responsibility to protect the pub-

lic from exposure to harm, even though there is no full scientific consensus about the risk. This principle calls for a careful approach when new technology is developed and brought into use. It is also an active principle in the debate of imposing measures against global warming, a debate I will come back to later in this lecture.



John Locke

John Locke, the English philosopher, stated the three natural rights of **life**, **liberty** and **property**. He also stated that property should be managed in a way so that one at least sustained the quantity of matter handed over to inheritance. Our modern understanding of responsi-

bility for future generations refers to the United Nations Conference on Environment and Development, held in Rio de Janeiro in 1992, is of greater relevance. The conference led to the acceptance of a world action plan called Agenda 21, an action programmed spanning for the next 100 years and clearly imposing **Responsibility for Future Generations**.

There are other guiding principles of importance, but practicing these three is a good start.

Ethical reflection is best practiced in discourse with others. In order to recognize and consider ethical questions and dilemmas we must be as open as we possibly can. We must respect the views expressed by others, and assume that what they say is

true for them. Rather than dismissing the experiences and statements of others, we should instead ask why.

A few simple questions similar to those posed in Tekna's ethical guidelines will take us a long way:

Is it legal? Is it fair on those affected? Who are those affected?

And then:

Does it have negative consequences for individuals, the environment or society?

And finally:

Will it withstand public scrutiny?

Will I be able to stand by my decision when it is bathed in the light of publicity?

Since this is a course in Green Economy I must point out that when asking these questions we take for granted that the first question in business already has been asked, namely: Is it profitable?

If the answer is no, but the business idea has potential to support a better world, the follow-up questions should be: Could this be profitable? And what could make it a profitable business?

One example: There would probably not be a market in Norway for the electrical car Tesla if not for tax-subsidies and other e-car advantages. To get started, green economy in many cases will need governmental support.

Further on today, I will first show that ethics is a matter of perspective. What one focus on is partly decided by where we stand as professionals and as individuals.

Second, I will engage you in a case on the question of human rights. Are they universal or must we accept that there are different perspectives that we have to take into account?

Third, I will address business and economy as an ethical challenge.

At the end, I will engage you in the case addressing inequality,

... before I sum up.

Ethics as a matter of professional perspective

6

First: Ethics as a matter of professional perspective.



Perspectives on ethics (Ethics of the practical life)

- Student ethics
- · Research ethics
- Ethics of Management
- Ethics of Professionals
 (Engineers Economists)
- (Engineers, Economists, Lawyers etc)
- · Ethics of the Working Environment
- · Ethics of Competition
- Ethics of Anti-Corruption
- · Etichs of surveillance
- · Ethics of New Technology
- Bioethics
- · Environmental Ethics
- · Ethics of war (Just War)
- Whistleblowing
- · Business ethics and Social Responsibility



Teknas Etiske råd januar 2015/jmr

Talana Talaniah sahun itanahan ing menganahan

For all of these areas of human life we could define ethical challenges and dilemmas, ethical principles and values, and even write down ethical guidelines. For many of them such guidelines or codes already exist.

The drama illustrated in the picture below addresses ethical principles in civil engineering. In 2008 an apartment building in the west-coast city of Aalesund in Norway collapsed when 3000 cubic meters of stone from a nearby cliff hit the ground and first floor of the building. Five persons were killed.



Aalesund, 26th March, 2008

More than a hundred years ago, accidents like this one led to the first discussions about engineering ethics. Guidelines were written, which still are in use. In short, these guidelines states that an engineer in this profession should be competent in his professional work, he should focus on risk, and how to avoid acci-

dents like this one, and he should be honest, meaning that he should be open about his professional doubts.

In Aalesund there were professional people who had had their doubts about this building site and the plans to build an apartment house there, but they did not speak out or were not heard. The project was attractive for the developers who expected a good profit when they sold the apartments.

Let us now turn to another professional field, the field of war and the ethics of war. We all understand that the topics are different in this field.



Discussing the ethics of war, some will say that we have to cope with the ques-

tion of whether or not we shall produce weapons. Others will say that war is legal and therefore weapons are legal, so this is not an ethical question when you have chosen to work in the weapons industry or to be a soldier.

Other challenging questions are:

- Is there something like a just war?
- What about preventive attack, could these be ethically defended?
- The use of drones in attacks, could these be ethically defended?
- Where will we draw the line between war and terror?
- What about soldiers and responsibility? We started today with Eichmann.
- The right to kill, how far does it go?

The point here is that when talking about ethics in practical life, we talk about different ways of thinking about ethics. We might even find out that what goes for reasonable ethical practice in one arena of human activity, is considered not so in another one.

I will now introduce you to Margrethe and Jomar, both young professionals and fellow members of Tekna.

The question asked is: Is it possible to do ethically well-founded decisions and end up working for conflicting causes like in this case climate control and oil production? The world we live in is not simple.

Margrethe Lunder is 28 years old and holds a master degree in metheorology, on chemistry of the atmosphere. She works as advisor in climate and air quality and is engaged in Tekna's member group working for reduced CO2 to Margrethe Lunder



the atmosphere and global temperature control. She was one year ago ask by Tekna's member Magazine to state what she sees as important ethical dilemmas in the world of her professional work today.

One of her dilemmas was as she said: – We ought to reduce the amount of CO2 going into the atmosphere. We know what we can do about it, but the need for more research on the overall effect keeps us from doing it. We should act and do research at the same time instead of waiting untill complete knowledge is at hand.

We can all see that Margrethe thinks in the idea of the precautionary principles that was mentioned earlier.

Jomar Jentoft is 34 years old and holds a master degree in Engineering on Energy and Environment. He is occupied with systems architecture for electric power distribution for subsea installations. He is engaged in the Tekna's member group for oil and gas professionals.



Jomar Jentoft

He has also been interviewed, asked to expose a personal dilemma.

He told us that he faced a personal dilemma when he entered his career and made his choice. He chose to work in the oil and gas industry. He did so because this is a very important industry in Norway of utmost importance for the Norwegian welfare state.

Doing so his challenge is to make good future-oriented solutions that minimize environmental hazards. – We must, he says, aim at achieving optimal quality and safety. We must have solutions that have been tested and well documented so that we know they will be permanent.

He thinks ethical like an engineer. Risk and safety are main topics.

The background for a statement like Jomar's is dead serious in the oil and gas industry.

To illustrate this I have chosen one of the catastrophes from the early years of this industry in Norway. Accidents like this one have had great influence on the way one think in this industry, also about ethics.

The point here is: Is it possible to make ethically well-founded deci- The Alexander Kielland accident, sions and end up working 27th March, 1980



for conflicting causes like in this case climate control and oil production? The answer is obviously yes. The world we live in is not simple.

A case on Human rights

I will now introduce you to the background for the case on human rights, which I announced earlier.

The ISO 26000 standard on social responsibility, states what should be the responsibility of businesses and organizations in the societies where they do business.

The standard is ratified by more than hundred nations. International standardization and standards are based on private initiative financed by companies and enthusiasts among professionals in the countries that choose to take part in the work. The companies and enthusiasts are not to be regarded as representatives for the authorities in all the countries they represent. Some standards are used for certification practices in businesses and industries. This is not the case for ISO 26000.

The ISO 26000 applies a very wide definition of social responsibility, including a responsibility to adopt human rights, which we will focus on in the following case.

The human rights were adopted by The General Assembly of the UN in 1948. They covers ethnic discrimination, discrimination of women, actions against torture, children's rights, protection of guest-workers, protection against kidnapping and the rights of disabled persons.



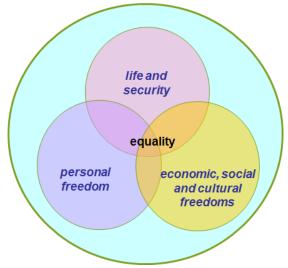
The human rights are:

- Inborn
- Personal, cannot be taken from you, even if you agree. No one can steal them from you
- Universal
- Indivisible, cannot be partly chosen away
- Mutually dependent and contribute mutually to fulfilment of all the rights

The Declaration on human rights begins by laying down its basic premise of "equality" – that "all human beings are born free and equal in dignity and rights."

The scope of human rights protected by international law is much wider than is sometimes appreciated, and the Declaration also addresses rights relating to three other critical areas:

- life and security
- personal freedom
- economic, social and cultural freedoms ...



Human rights in short, by Ingebjørg Gravlien

Some examples: Article 25

• (1) Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, in-



cluding food, clothing, housing and medical care, and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

Article 18

Everyone has the right to freedom of thought, conscience and religion; this right includes freedom to change his religion or belief,



and freedom, either alone or in community with others and in public or private, to manifest his religion or belief in teaching, practice, worship and observance.

Article 23

 (1) Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.

The human rights are good ethical thinking, but it is obvious that the official understanding of these rights and what is good practice in such matters differs from region, nations, countries and regimes. What what is regarded as right or wrong are guided by culture and tradition, ideology and religion.

When I now next invite you to discuss two opposing points of view on human rights, I will remind you of the three ethical principles introduced earlier.

Immanuel Kant's **Categorical Imperative** is stating that you should always act as if what rules your actions could be a law that could be followed by everyone. This is a call for us to be aware of the consequences of what we do onto others.

The Precautionary Principle covers responsibility to protect the public from exposure to harm even though there is no full scientific consensus about the risk. It is an active principle in the debate of imposing measures against the global warming.

Responsibility for Future Generations stated by the United Nations Conference on Environment and Development in 1992 is the third principle to have in mind in the discussion that follows.

Then for reflection and debate in two main groups, right and left in the auditorium, and then again in small groups. Right side goes for the first statement. Left side goes for the second statement.

Right side: Find and list arguments that "our" understanding (meaning the main stream western world understanding) of the standards set by the declaration of human rights should be what counts in all of the countries in the world.

And then:

Left side: Find and list arguments that human rights, as defined in the declaration of human rights, must be understood and practiced according to local standards of living, culture, traditions, ideology and religion.

(Then ask for statements, first from right side, then for the left side, and last for overall comments.)

We started out with Immanuel Kant's categorical imperative. Could or should it be as it says?

We have illustrated that ethics are defined with different orientations among professionals and that it also on a personal basis can be practiced differently.

And we have asked ourselves:

Are human rights universal?



Green economy, green cities and market economy practice

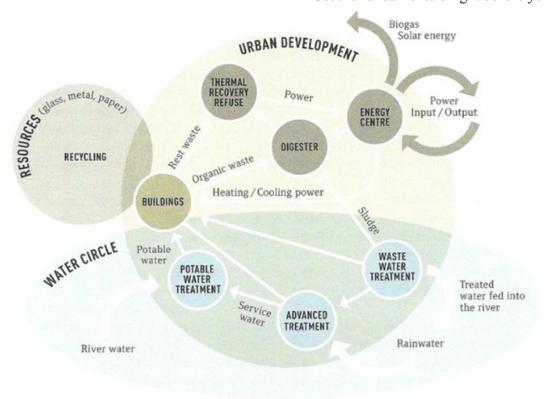


"Green Cities" is among the very popular search phrases on Google. Used here as a symbol of what we in this course call "Green Economy". Some would say that green economy is the path and that green and sustainable cities is the aim. Most of us will agree that the green city looks like a nice place, where most of us would like to have our main residence in the future.

What are we talking about?

In the book Manifesto for sustainable cities the German architects in Albert Speer & Partner give inspiration to a definition on how to get there:

- Decrease energy, minimize technology
- Use recycling to minimize the input of resources
- Keep space open
- Think in overall cycles. Avoid short-term benefits for long-term gains
- Do not let transportation modes compete for space: Present mobility fosters immobility
- Encourage civic participation
- Get the fundamentals right before you build a city



The chart shows how, if planning is right, recycling can be used to minimize the resource inputs.

From: Manifesto for sustainable cities by the architects in Albert Speer & Partner

The market economy is based on ideas about markets and how they work.

Among these ideas is Adam Smith's theory about the invisible hand producing benefits for all driven by pure self-interest. This is a crucial idea in the debate on how far the market can or should be left to work on its own. This again is a main subject in the de- Adam Smith



bate around businesses and social responsibility.

David Ricardo is known for his theory of comparative advantages, which is still part of the arguments in favour of free international trade and the resulting flow of capital, goods, services, labour etc., and as I will show, unintended flow of crime.



David Ricardo

At last here, Vilfredo Pareto known for his theory of optimum use of resources, among some economists also used as a criteria for ethical use of resources.



There are many others, but these will Vilfredo Pareto do for this presentation.

Many will say market that economy is the only solution for a better future and green cities, but on the way there are challenges that we have to cope with:



- A dispute among economists and politicians as to how far businesses social responsibility reaches, or should reach
- A wide range of real world business practices covering among more labour rights, corruption and taxation
- The mechanism of innovation is regarded as a way to a better future, but in itself it challenges the future
- The overall resulting inequality from these disputes, practices and mechanism sum up to be probably the greatest challenge of them all

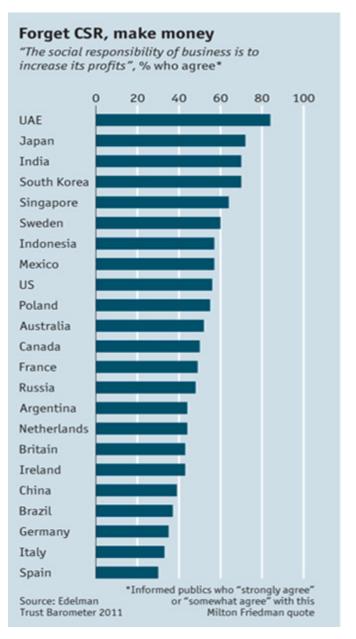
I will give you some examples to underpin this.

I have earlier on mentioned the ISO 26000 international standard on Social Responsibility of businesses. Though this standard is ratified by more than hundred nations, it is still disputed how far this responsibility should reach.

Let us start with Milton Friedman, an economist and winner of the Nobel memorial prize in 1976. He is a spokesman for the statement that the social responsibility of a business first of all is to increase profit, that is to see to that the shareowners of the company get the most



possible outcome out of their investment in shares.



A survey carried out i 2011, results shown to the left in the slide, showed that a substantial part of an informed public in many countries agree with Milton Friedman on this subject. In Sweden about 60 % of the respondents agreed with Friedman. A recent case for the court in Norway, the so called Transocean-case, showed clearly that Friedman has his followers in Norway also.

Those who agree with Friedman will argue that a company is not a democratic institution and that it therefore should not interfere with national practices in countries where they choose to locate their production or other kind of businesses, and among all not interfere in local societies. Some will even argue that doing so easily would end up as corruption.

Milton Friedman passed away in 2006. Michael Porter (1947 -), professor at MIT and one of the world's most famous living managing gurus, has made his own concept (CSV) more like Friedman's than like the ISO 2600 concept. Michael Porter



Creating Shared Value (CSV) differs, says Porter, from CSR in different important ways:

- CSV is integrated in a business model for competitiveness and profit-maximization, not a response to outside pressure as CSR is, as Porter sees it.
- CSV is integrated in the budget of the business and not part of an isolated CSR budget.
- CSV measures economical and social benefits against cost and not against the diffuse goal of CSR that seems to be "doing good".

Business practices, development and human rights

I mentioned initially that a wide range of business practices represents challenges for the practicing of Human Rights, among them that of labour rights.

These facimiles from Norwegian papers illustrate a Norwegian example. The company in focus is Telenor, a Norwegian telecom company with worldwide engagement in telecom. The Norwegian state is a main owner in the company, which has a history as the National telephone company of Norway, a 100 % state-owned institution.

Back in 2008 a Danish documentary reported that Telenor had subcontractors in Bangladesh using children as labour. These days Telenor is involved in what seems to be a heavy corruption deal in Uzbekistan.

However, to give you an example of corrupt business practice, I will turn to another Norwegian company.

Adresseavisens kronikk lørdag 14. juni 2008

samfunnsansvar i

Telenor -

praksis?



According to Transparency International, Angola is rated as one of the world's most corrupt countries. One of the president's sons manages the country's oil fund.

The president's oldest daughter was recently named Africa's first female billionaire. In order to strengthen local industry, Angola requires foreign oil com-

panies to enter into partnership with local companies. Somoil is such a company. Owners here include governmental ministers in Angola, directors in its national oil company Sonangol, and others.



Statoil, the partly state-owned, Norwegian oil company, has got a new partner in Angola. China Sonangol is among the foreign companies that participate in the Angolan oil adventure. It is based in postbox in a tax haven, The British Virgin Island, and is probably owned by rich Chinese through representatives.

gjemmer seg i hemmelige selskaps registre og bak en postboks på De

britiske jomfruøyene.

The use of tax haven is also widely used by companies to maximize the profit as Milton Friedman advices.

Now to multinational wealth-drain and "-creation"

According to Kofi Annan, the work to give poor people better living conditions advances too slow. The reason is tax crimes and secrecy in international merchandise export.

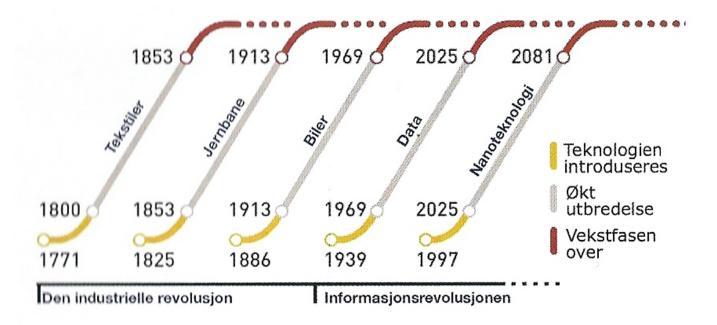


Transfer pricing is widely used to transport profit to countries with low tax regimes.

African countries loose at least 34 billion dollar yearly in income taxes due to transfer pricing. That is more than the same countries get in aid from developed countries.

Investigations show that EU has more import from countries in Africa than what is reported as export from the same countries. This too, means that values are transported illegally out of poor countries.

Den neste industrielle revolusjon



VERDENSØKONOMIEN: Nanoteknologi kan bli den nye industrielle revolusjonen, ifølge Merill Lynch.

Now to technology and innovation. Normally reckoned as the road to a better future.

The figure above shows the different technological revolution that has brought the world forward through the last 250 years: The textile industry, a main contributor to the first industrial revolution, the train, and then the car, the information technology and the nano-technology that is about to shape its own revolution. There are other technologies of importance unmentioned.

At this level the progress is easy to see.

Now to an example of innovation and technology at a smaller scale and in a shorter time span.

From about 1975 until today the technology of catching and showing live pictures has gone through several wars between producers introducing new storage formats including cameras and players. The resulting mountain of electronically garbage is huge.

Luckily, this revolution now has partly come to an end with streaming.



However, the same still goes on in industries producing new generations of "must have" telephones, tablets, PCs etc. We cannot live without them, but the challenges are there, even if we do not see them in our neighbourhood.

Now, to the perhaps greatest challenges of them all when talking about making a greener and better world: Inequality.

We can easily show that:

The outcome of labour exploitation is inequality
The outcome of corruption is inequality

The outcome of creative tax planning is inequality

And inequality stands in the way of effective measures against global warming.

The case of: Rich world – poor world

To sum up so far and to introduce the second case:

Rich countries produce still a substantial part of the CO₂ that are disposed into the atmosphere. At the same time production of products exported to and traded in the rich countries, also contribute to the CO₂ disposal from the developing countries in Asia and South America.

Poor countries are also the receiver of used products and garbage from rich countries. The potential for environmental hazard caused by this export is substantial.

The rich countries must and will cut their CO₂ deposits, but they will still anticipate a growth in wealth among people in these countries. There are also poor people in these countries. Countries with a huge population of poor people will not be able to raise the living standard among their inhabitants without a rise in CO₂ deposits given today's technology.

When it today is difficult to agree on terms that give the necessary reduction in the deposit of CO₂ is this because the interests of rich and poor countries cannot be coordinated.

When I now next invite you to discuss two opposing points of view on the future for humanity, I will remind you of the ethical principles introduced earlier.

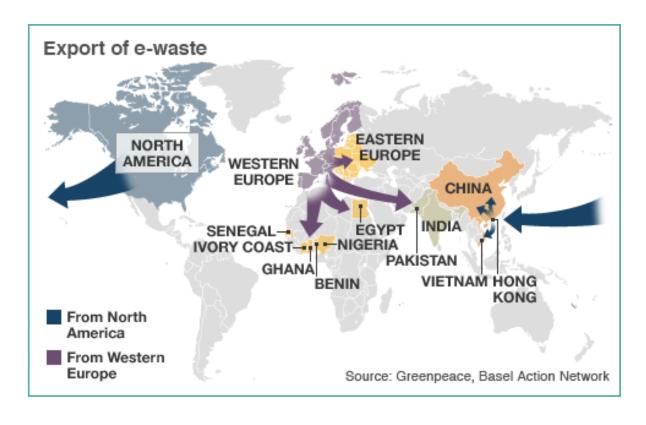


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However, you should also take with you the ethical criteria introduced earlier referring to Vilfredo Pareto, **The Pareto Optimum**, among economist also used as criteria for ethical use of resources.



Then for reflection and debate in two main groups, right and left in the auditorium, and then again in small groups. Right side goes for the first statement. Left side goes for the second statement.

Right side: Find and list arguments that support that in 50 years time we still have to accept that some countries have significant better living conditions for its inhabitants than others if we should avoid critical global warming.

And:

Left side: Find and list arguments that supports that rich countries to day have to accept reduced living standard for its inhabitants if we should avoid critical global warming.



(Then ask for statements first from right side, then for the left side, and last for overall comments.)

Summing up

We started out with the green sustainable city as a goal for the green economy and as a nice place to live for the generations to come.

We confronted Adam Smith, and also Milton Friedman, the last one to demonstrate that economy has its conflicting views and debates.





Adam Smith

Milton Friedman

I have stated that many business practices produce inequality and that inequality is a challenge for our effort to establish a green economy, and even more the green city.

And we have asked ourselves:

Do we have to except inequality in the world as a whole in the meaning that the rich still will be rich, and the poor will be poor?

... or do we have to accept that the living standard in the "rich world" has to be established at a lower level than to day, for some?

Time to a short overall sum up.

I have stated that ethics is a personal responsibility and a collective one ...

We have also talked about:

Ethics as a matter of perspective ...

... and a case on perspectives on human rights

Business and economy as an ethical challenge ... and a case on inequality as a special challenge

I hope you will continue to think about this.

Thank you for your attention!



Temahefter utgitt av Teknas Etiske råd

- 1. Varsling av kritikkverdige forhold (2009)
- 2. Fra Gaza til finans push Cases fra Magasinet Tekna 2009-2010 (2013)
- Om juks og egne verdier Etikk i møte med studenter og lærere fra Tekna Studenten og Magasinet Tekna 2010-2011 (2012)
- 4. Etikk, ledelse, ansvar og usikkerhet Artikler fra Magasinet Tekna 2012, nr. 2, 3, 4 og 5 (2013)
- Om etisk refleksjon Artikler fra Magasinet Tekna 2013 (2013)
- 6. Green economy and ethical challenges (2015)
- 7. The TOUGH International case (2015)

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