

Global Poverty and the Moral Obligations of Businesses – A Viewpoint from Political Philosophy



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Abstract

Increasingly visible global distributive inequalities and famine pose considerable challenges for policy makers and wider society alike. This article aims to outline obligations that businesses might have to remedy this situation. It scrutinises various debates that have been carried out in political philosophy over the past decades in order to define the desired ends towards which corporate behaviour should be directed. From various metrics on offer, impersonal natural resources are identified as the type of equality least objectionable from a normative point of view. One proposal using this yardstick, Thomas Pogge's 'Global Resource Dividend (GRD)', is further analysed for its potential to be institutionalised in the real world. A multi-phased implementation, which is the scenario most likely to occur, unveils hitherto unacknowledged obligations that businesses, particularly those located in countries with multilateral approaches to international politics, might face towards the eradication of global poverty. Those duties are more stringent and more demanding than the development aid currently provided by rich countries.

Key Terms:

Global Distributive Justice; Equality; Natural Resources; Taxation; Poverty; Thomas Pogge; Business Ethics

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Introduction

There has never been, and is not now, agreement on the nature of distributive justice. Political philosophers, policy makers and citizens alike find themselves in all sorts of disagreements about what justice requires of sound social institutions, and, indeed, what importance these institutions should give to the virtue of justice in the first place. While there are today many established theoretical traditions on the topic of domestic distributive justice – some of which, like Plato's writings on the 'Republic' and Aristotle's ethical theory, date back to ancient Greece – the literature on *global* distributive justice is comparatively new. Earlier debates in philosophy about global justice had more centred on conflict-related issues in world politics, such as the efforts to develop a 'just war' theory with which armed struggles could be assessed. A concern for the distributive dimension of global justice, however, has only an insignificant precedent existence and only very few cosmopolitan traditions of global equality therefore exist (for an overview of the few existing cosmopolitan traditions see the edited volume by Nussbaum M., and Cohen, J. 1996.)

This should not come as a surprise for various reasons. As statistics published by the United Nations (UN) show, the huge inequalities that currently characterise the international system have only developed in the past 150 years or so. Inequalities across countries were relatively insignificant until the twentieth century and certainly smaller than inequalities within countries. The income gap between the poorest fifth and the richest fifth of the world's population was a mere 3 to 1 in 1820 and still only 7 to 1 in 1870. Only in the 20th century did the gap widen drastically: from 13 to 1 in 1913, 30 to 1 in 1960, 60 to 1 in 1990, to 74 to 1 in 1997 (UNDP 1999: 3). The de-colonisation after World War Two and the emergence of numerous new sovereign states with unequal socio-economic positions contributed to this development.

For a long time there had thus been no reason to engage in scholarly research on the topic. What is more, global control or distribution of wealth is, in practice, only a fairly recent possibility: in the great empires of the past it was impossible to use a surplus in one region to redress a deficit in another. Although many were destitute, only local remedies were available before modern transport infrastructures and global financial institutions existed that could reach across borders. Finally, within the discipline of International Relations (IR), as the academic forum that would most likely concern itself with the question how a more equal distribution of wealth could be brought about, scholars have for a long time refused to consider global justice as a matter worthy of investigation. Its orthodox proponents, who later became known as the 'Realist' fraction of thinkers, have dominated the field and always claimed that socioeconomic power is one of many means for states to maintain their national security and independence vis-à-vis other states in an international system of anarchy (Haubrich 2002). Global redistribution of wealth was seen as counterproductive to states' self-interests, would thus not be supported by them, and was, eventually, considered an elusive ideal not worthy of further scholarly examination.

Hence, conceptions that supported international development assistance as a means to alleviate global poverty rested, from the 1950s onwards, more on general notions of benevolence and charity rather than on the morally more demanding requirements that a justice-based concept of global redistribution might stipulate. Establishing an obligation that the globally rich might have towards the poor – or, conversely, an enti-

tlement that the globally poor might have towards the rich – was never high on the agenda.

With significant debates on the topic of poverty eradication thus not carried out in political philosophy, it is not surprising that the related, and much younger, discipline of Business Ethics, too, has dedicated relatively little effort to define corporate obligations towards global justice. In trying to determine what a good, socially responsible corporation is, Business Ethics has traditionally tended to examine different issues. According to Milton Friedman's classical view (Friedmann 1970), for example, a corporation's primary purpose is to maximise profits for its owners. His account, which was inspired by arguments from Utilitarianism as well as Property Rights Theory, heralded the maximisation of good consequences through profit maximisation and assigned to owners the right to decide on what happens to their property (Bowie 1982: 18-26). Friedman believed that this arrangement maximises economic freedom and that economic freedom is a necessary condition for political freedom. Poverty eradication, particularly on a global level, was not an issue he was particularly worried about. And if it was a possibility at all, it would, on this view, be left for corporate owners to decide whether or not to engage in voluntary charity contributions to achieve such aims.

As is well known, to many scholars and practitioners this account of business ethics was much too lenient and the need for rules that would govern the competitive process was increasingly recognised. Soon proposals were offered emphasising that firms have to adhere to certain minimal moral standards which would act as constraints to the profit maximisation goal (see, for example, Simon *et al.* 1993: 62-5). Other theories tried to gradually extend the scope of individuals that should be subjected to the constraints of corporate responsibility. Tenets that went the longest way down this path would later become known as stakeholder theorists. From all schools of thought in the discipline, stakeholder theory has arguably had the biggest impact, not only on the community of those concerned with the topic on a professional level but on wider society as a whole. Its proponents believe that a firm's product or service is the result of the productive efforts of employees, managers, customers, suppliers, the local community, and stockholders as owners. Each of these stakeholders has a contractual relationship with the firm: in return for their services, the managers and employees, for example, are paid in the form of wages; the local community is paid in the form of taxes; suppliers, under the constraints of supply and demand, negotiate the prices for their inputs.

Much work in the 1990s was aimed at investigating the various duties that these groups of individuals would owe to each other in terms of remuneration, environmental safety, non-discrimination in the workplace and safety standards, to mention but a few, and how their sometimes contradicting interests could be harmonised. Even among that research, however, distributive obligations to individuals elsewhere on the globe that had *no* contractual relationship with the firm did not enter the calculation. Discussions of global corporate duties centred more on issues such as the exportation of hazardous substances, the fundamental rights of workers in less developed countries to avoid exploitation, or the bribing of foreign government officials. Considerations of global distributive justice did not enter the picture.

This article aims to fill this gap by specifying, in the first section, the type of equality that social institutions should bring about on a global level. This is a crucial first step

because, in order to outline the type of actions that firms should perform, it is necessary to define the desired ends towards which their measures should be directed. In so doing we will compare various proposals that have been forwarded in conventional (i.e. domestic) political philosophy over the past decades so to identify the type of equality least objectionable from a normative point of view. With the adequate metric thus obtained the article then proceeds, in the second section, to deduct the obligations that corporations might face once proposals applying such a metric are implemented in the real world. As will be shown, these duties might be more stringent than most of us are prepared to admit and are, at any rate, more extensive than most current policies of corporate benevolence on offer.

Which Equality for Global Distributive Justice ?

Equality is a highly complex concept, there being as many forms of equality as there are ways of comparing the conditions of human existence. As one moves from the level of the ideal to practical social policy it becomes apparent that equality is in itself too general a concept to support concrete policy choices. Political philosophy has engaged in intensive debates to define the type of equality that should be brought about on the domestic level. This section introduces the various proposals that have been offered in these debates, compares their respective merits and pitfalls, and narrows down the available options to the one that is most likely to be applicable and succeed if applied to the global sphere.

Two notes of caution are merited at the outset however. Firstly, this section cannot offer an exhaustive rehearsal but merely a modest summary of a debate that is not only still ongoing but very multi-faceted. To obtain a more detailed insight into the respective arguments the reader is encouraged to consult the ample literature references stated in the bibliography. Secondly, this article will not argue why distributive justice is an ideal worth pursuing on a global (as opposed to domestic) level in the first place. The debate between so-called ‘Communitarians’ on the one hand and ‘Cosmopolitans’ on the other will not be rehearsed here, nor will the latter be defended. Rather, we take it as given that principles of justice extend beyond the borders of a state and that, thus, the obligations and entitlements that derive from them apply also to the interactions *between* states and the inhabitants residing inside them. For very competent and insightful review articles of this separate debate see, for example, Brown (1997) or, more recently, Caney (2002), and the literature references stated therein.

Context, Value and Content

The structure of this first section follows the typology tree depicted in figure 1 below, where we have illustrated the various taxonomies and decisions that we will be taking to specify the type of equality corporations should want to bring about. The tree does not represent the only constellation of types of equality possible. Some taxonomies might, in fact, cut across each other, and other chronological orders from the top to the bottom levels are possible. As can be seen in the figure, the first and obvious decision to be taken is on what we might call the context of equality. We are, of course, not concerned with political equality, such as the right to vote, stand for office, be treated equally before the law etc., but only with what Arneson (1997: 489) has called

'equality of condition', i.e. the provision of equal life prospects through a yet undefined type of social goods. On the second level we prefer to interpret equality as an instrumental, not an intrinsic value to be pursued. Equality is, hence, seen as a good thing because of its implications for values other than intrinsic equality itself, such as individual choice or personal autonomy. The desirability of a more equal distribution is due, not to the fact that it is more equal but that it is expected to promote that other value (for a forceful criticism against intrinsic equality, known as the 'Levelling Down Objection', see Nagel, T. 2000: 63, and Parfit, D. 2000: 100-2).

On the next level we advocate equality in a substantive sense, not as a procedural endeavour. This follows because the latter is too insensitive towards differences in ambition, talents, capabilities and family backgrounds to be able to stand alone as a concept of egalitarian justice and is, on its own, insufficient to guarantee any meaningful equality at all. Egalitarian justice needs to be complemented by a notion of equality that does not only establish rules but also provides some sort of goods to achieve that equality. Substantive equality, as the other alternative on offer, requires a further distinction, namely between features predominantly deriving from an individual's voluntary choices and actions and those from social and natural circumstances, a complexity that extends the analysis to the next level of the typology tree. In line with the majority of egalitarians we claim that it is unfair if, to employ a term coined by John Rawls, 'morally arbitrary factors' differentially influence the course of people's lives and it justifies distributive equality as a way of neutralising them. The fundamental aim of equality should be to compensate people for undeserved bad luck, for aspects of their situations for which they are not responsible; differences that are owed to acts that people *are* responsible for should not fall into the jurisdiction of an egalitarian theory. There is a moral warrant to level the inequalities in the distribution of social goods that are generated by differing endowments while leaving intact those inequalities generated by differential effort, planning and risk taking (for an explanation of this strain of thought, see Dworkin, R. 1981, 285; for a critique, see Anderson 1999 and her alternative account of 'Democratic Equality'; for a forceful refutation of Andersen's argument, see Kymlicka, W. 2001: 94-5). Egalitarians try to formulate theories that equalise people's circumstances while allowing them to reap the benefits, but also pay the costs, of their freely made choices.

Responsibility and Avoidability

As the next level in the typology tree illustrates, luck should here only be interpreted in the sense of what Dworkin (1981: 293) has termed 'brute luck', i.e. luck that could not have been foreseen. Of no concern to egalitarian justice is, by contrast, 'option luck': the luck to arrive at good or bad outcomes depending on people's voluntary choices to engage, say, in gambling activities. Brute luck is luck (good or bad) that no reasonable person could have taken into account in past choices. No one deserves their genetic endowments or other accidents of birth, such as who their parents are and where they were born. The advantages that flow from those blessed with such fortunes must not be retained exclusively by them.

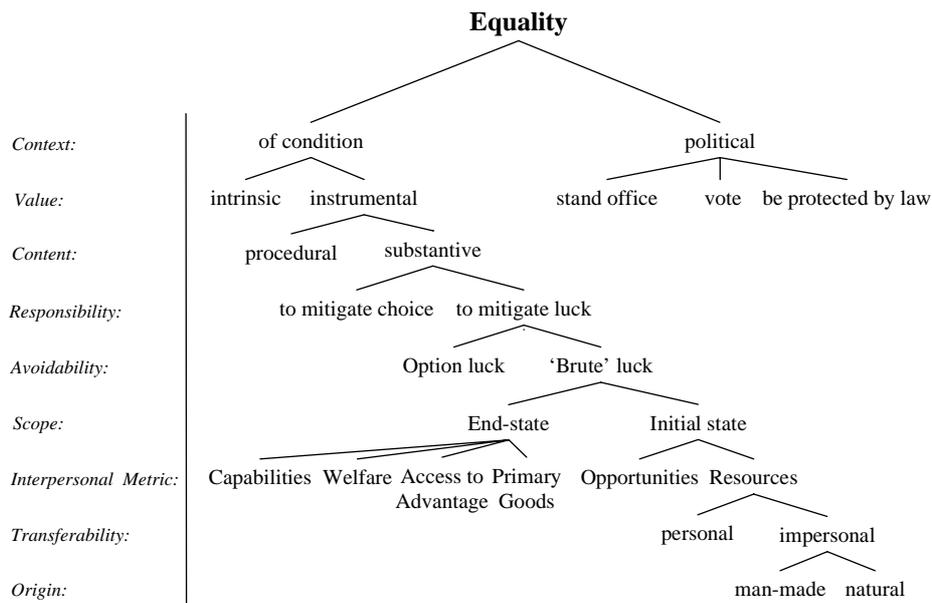


Figure 1: A Typology of Equality

Scope and Interpersonal Metric

In order to come to a decision how inequalities that are caused by morally arbitrary factors should be equalised, a more elaborate analysis is required than hitherto offered. For the business of sorting out just how much of a distribution of social goods results from differential endowments and how much from different choices is a rather tricky one. Much work in political theory has been dedicated to this question so to establish the appropriate standard of interpersonal comparison, or 'currency' of egalitarian justice as it is sometimes called, a problem most notably addressed by Nobel laureate Amartya Sen (1997 [1980]) in his famous essay 'Equality of What?'. Several suggestions have been made to this end. John Rawls (1999 [1971]: 62) proposes what he calls 'primary goods': income, wealth, opportunity, and the bases of self respect. Sen (1997: 482-4) himself concentrates on 'capabilities' to choose between various 'functionings' that a person is able to realise in her life. Further accounts are Richard Arneson's work on 'opportunity' (Arneson 1988: 79) and G.A. Cohen's concept of 'access to advantage' (Cohen 1989: 916). Finally, van Parijs (1995), Ronald Dworkin (1981: 303), Hillel Steiner (1999), and Thomas Pogge (1998) all propose what they call 'resources', although they respectively attach different meanings to that term. Whereas Dworkin speaks not only of material resources but of mental and physical capacities as well, Pogge and Steiner prefer to limit their proposals to natural and scarce resources only.

The diversity of these proposals shows how difficult it is to assess the features of an individual's conditions that are to be rendered equal: they all have different causes and require compensation in a different way. And it is not easy to decide which of the features 'count' more than others. To clarify their respective properties it is helpful to distinguish between two further categories of equality, as illustrated in the next level in figure 1. We can separate concepts that focus on an equal end-state of affairs, or outcome, from those that are content with equality achieved at some initial point in

time, irrespective of what level of equality is achieved thereafter. Initial state concepts of equality are, for example, those concerned with either 'opportunities' or 'resources', whereas proposals arguing for either 'welfare', 'primary goods', 'capabilities' or 'access to advantage' are more concerned with end-states. All these yardsticks have their respective merits and downsides which, each in turn, we shall be examining now.

Initial-state Metrics

The idea of equality of opportunity, as the first proposal, is widely endorsed by modern democratic ideologies as a fundamental principle and has been defended as applicable not only to the domestic but to the global level as well (Caney 2001). Equality of opportunity proposes that social position should be based strictly on individual effort and ability and that, for example, the educational system should offer all children an equal chance to realise their talents. The widespread belief is that equality of opportunity exists when persons with the same ability and talents, and who expend roughly the same effort, have roughly the same prospects for success. Race, religion, sex and family background should not be relevant to one's success or failure in competitive struggle for social goods. In a global context the principle implies, accordingly, that persons should not face worse opportunities in life because of where they are born. Overall, the concept is concerned principally with initial conditions, with the starting point in life. To confine equality to the initial circumstances of life can have radically inegalitarian implications, for where individuals end up in their lives is of no concern to believers in equality of opportunity, at least in its pure sense.

Several issues, however, have been noted. First, 'Equality of opportunity' as a concept is empty without any specification as to its exact meaning, for it may refer to quite diverse affairs, such as educational opportunity, occupational opportunity, opportunity for self fulfilment etc. And attaining one might only be possible by sacrificing some other. Second, if equal opportunity proposes a world in which all have equal chances to become, say, physicians, concert pianist, movie actors etc., irrespective of physical endowments and talents, then this is clearly unworkable. Equality of opportunity can only mean that the opportunity is open, not to all, but to those capable of achieving the desired state. It should not require that opportunities are equal for all but that they are equal for persons with similar skills and talents. Talents and skills, however, introduce significant complexities as our discussion further below shows. Finally, creating a society where no one is privileged or disadvantaged by their circumstances might not be sufficient. As Will Kymlicka (2001: 58) remarks, circumstances might not only entail social circumstances such as class, sex, race, family background, or religion. Differences in talents are equally undeserved from a moral point of view. For not all of them are developed through individual choices as the opportunity concept seems to assume. Some talents we are born with, and no one deserves to be born handicapped or with an IQ of 140. The injustice is the same in each case: distributive shares should not be influenced by factors which are arbitrary from a moral point of view. Natural talents and social circumstances are both matters of 'brute luck' as defined above, and people's moral claims should not depend on brute luck.

The instability of the opportunity concept exposed in this last point has informed some egalitarians to argue for an alternative concept of initial-state equality. Re-

source egalitarianism, the second type on offer, holds that equality of opportunity for welfare is too general a concept because the distinction between arbitrary and non-arbitrary factors influencing the course of one's life, which is necessary for the opportunity concept to get off the ground, can not easily be made in real life. Human talents and tastes, for example, are not only initially assigned to us as genetic endowments and are therefore undeserved. They also get created with a lot of effort and labour throughout human development, in which case, of course, they should not be part of any principle of redistributive justice. As Douglas Rae (1981: 70) put it: "Inequality of talents is not a phenomenon of nature, but a phenomenon of nature as mediated and reified by human culture". How can we possibly differentiate between raw biological talent and those derived from hard labour and ambition? Which of our talents are self-developed and which are pre-self developed ones? Even if we were able to do make such a distinction, Charles Beitz (1990: 290) would argue that the decisions a person takes in her life to develop certain talents are important elements of her effort to shape an identity: it might be said to constitute the self. On these accounts even talents that were developed — and the efforts to do so successfully — might have to be excluded from any sort of redistribution.

End-state Metrics

We defer, for the moment, a more detailed analysis of what exactly resources as a yardstick of equality should entail and turn to a third category worth examining, the equality of primary goods articulated, for example, by John Rawls (1999 [1971]: 54). In so doing we also shift from initial state to end-state concepts of egalitarian justice. Rawls' general conception of justice consists of the central idea that "all social primary goods – liberty and opportunity, income and wealth, and the bases of self respect – are to be distributed equally". Not all inequalities should be removed but only those which disadvantage someone. Unequal distribution is allowed if it is to the advantage of the least favoured. This approach differs from the equality of opportunity concept in two important ways. First, although Rawls also demands that positions are open to all, once these positions are allotted he grants the office-holders no automatic entitlement to a greater pay. Under his difference principle, people only have a claim to a greater share of the cake if they can show that it benefits those who have lesser shares. Under the prevailing idea of equality of opportunity, by contrast, the less well off have no veto over these inequalities, and no right to expect to benefit from them. Second – and closer to our discussion on the adequate currency of justice – income, wealth and respect emphasise not only equal starting positions but specific means that are essential to the people under a 'veil of ignorance' to fulfil their particular conception of the good, whatever conception that will be once the veil is lifted. "They are things that every rational man is presumed to want" (Rawls 1999: 55). A concern with primary goods rather than opportunities or resources therefore shifts attention away from the starting point of life to its end results, from chances to rewards.

Several objections have been articulated against Rawls' approach. Kymlicka (2000: 72-5) has shown that while Rawls endorses the general idea that individuals should pay for their choices but not for their circumstances, his difference principle violates it in two important ways. It is supposed, so Kymlicka, to mitigate the effect of one's place in the distribution of natural assets. But because Rawls only includes *social* primary goods — and not *natural* primary goods such as natural talents, health, intel-

ligence and vigour — on the index which determines who is least well off, there is in fact no compensation for those who suffer undeserved natural advantages. A second criticism, in turn, has been raised by Sen, and the discussion of his objection leads us to the fourth proposal on offer, ‘capabilities’. To Sen, individuals vary in their ability to convert primary goods into what is really important to them, namely, the freedom or capability to do or to be what they choose. This variability in the ability of people to convert primary goods into capabilities suggests that the primary goods are ‘inflexible’ and ultimately miss what is of fundamental concern to individuals, namely, greater equality of capabilities. While Rawls takes primary goods as the embodiment of advantage, Sen prefers to focus on the relationship between persons and goods (Sen, 1997 [1980]: 482-5). He complains that the concept of ‘need’ does not get adequate coverage through the information on primary goods and argues for a notion of ‘basic capabilities’ that enable a person to do certain things. The ability to move about is the most relevant, so Sen, but others can be considered also, such as the ability to meet one’s nutritional requirements, to be clothed and sheltered, and the power to participate in the social life of the community. Hence, he extends Rawls’ concern by judging advantage, not in terms of income itself, but in terms of what income does; not in terms of self respect itself but on the social bases of that respect. As Sen (1985: 197) expressed in a later essay, in this way the capabilities stand for “the actual freedom of choice a person has over alternative lives that she or he can lead”.

Sen’s capability proposal, however, is vulnerable to the objection that it is not sufficiently distinguishable from those concerned with either resources or welfare (to be explained below). Dworkin has elucidated this deficiency. If capability represents a person’s freedom to choose from possible livings by equalising their capacity to realise the complex achievements of happiness, self-respect, and a significant role in the community, then, so Dworkin (2000: 301) “it advocates not something new, but only a form of equality of welfare”. For people vary in their capability for happiness for many reasons, including their wealth and talents. Another problem with his approach is that we do not know how to index the basis capabilities bundles. As with Rawlsian primary goods, indexing is required to establish a uniform order of personal preferences according to some set conventions of relative importance. The ideas of relative importance are, of course, conditional upon the nature of the society. As a means to establish global standards of distributive equality, Sen’s approach seems therefore particularly open to criticism. A multitude of indexes for each society would be required, which is clearly an unworkable provision for a global redistribution scheme.

Welfare egalitarianism, the next metric scrutinised, is popular among those who are attracted to the idea that human welfare is ultimately the most important morally relevant feature of a community, a view most prominently, but not exclusively, articulated by utilitarians. The idea of an equality of welfare is the most radical and controversial face of egalitarianism. Welfare egalitarianism is guided by the idea that a distribution should count as equal if, and only if, it induces the same welfare or desire-satisfaction level for each person concerned. Welfarism creates the problem of expensive, malformed or cheap tastes, however. Some spoiled people have preferences that are expensive. It takes a lot more resources to satisfy them to the same degree as those that lead a more modest, self-controlled life. Others again, might exhibit the same level of satisfaction because subconscious psychological processes have tailored their preferences to their modest circumstances. Individuals should be regarded as capable of taking responsibility for their ends, so Williams and Clayton (2000) ex-

plain, but equality of welfare takes tastes, and their underlying preferences, as given, as though they were beyond the power of individuals to control. If welfare were the *equalisandum*, tastes were taken to be fixed, and scarce resources were to be divided so that persons with different desires (which put varying pressure on those resources) end up at the same level of desire satisfaction, then modest individuals with cheap tastes would be penalised, and those acquiring a taste for the high-life would be at an advantage. Without an account of *authentic* preference formation a welfarist metric for equality is incomplete.

Resource egalitarians argue, therefore, that people should be entitled to equal resources but be held responsible, i.e. enjoy the benefits but also pay the costs, for developing their tastes so that they can live satisfactorily. They accept that, while individuals are entitled to acquire more expensive tastes, they are not entitled to more resources than others merely because their ambitions are more costly to attain. Whether resourcists are also vulnerable to the expensive taste objection, a claim made for example by Williams (1999: 447-51), depends on the exact definition of 'resources' as a metric for interpersonal comparison. As we will show later, a focus on impersonal resources circumvents this objection.

The final proposal for an egalitarian currency we shall assess is what Cohen (1989) has called 'access to advantage', where advantage is understood to include, but to be wider than, welfare. Cohen tries to distinguish himself from concepts of equality that are based on either welfare, resources or capabilities. He rejects various forms of welfarism, most notably for the known objection of expensive tastes: it is nobody else's business to pick up the tab for those who develop expensive tastes. Yet he does not want to embrace equality of resources either, as it is a doctrine that is subject to objections which are just as strong as those which defeat equality of welfare. For, to Cohen, resource egalitarians wrongly refuse compensation for individuals' *involuntary* expensive tastes. 'Access to advantage' can, so Cohen, also be demarcated from Sen's capabilities in that Sen identifies capabilities with what goods do for human beings. Cohen, by contrast, intends to go one step further to argue that it is not what goods do to, or for, people that matters but "what they are able to do with them" (Cohen 1989: 944). Cohen is reluctant to specify what exactly 'access to advantage' should in practice entail. As he himself freely admits: "I affirm equality of access to advantage, whatever advantage is rightly considered to be, but I cannot say, in a pleasingly systematic way, exactly what should count as an advantage. [...] One hopes that there is a currency more fundamental than either resources or welfare [...]. But I certainly have not discovered it" (Cohen 1989: 920-1). Yet, a systematic currency is what is required if the implementation of a global redistribution scheme is to be successful.

What this short outline of the debate on the currency of equality shows is that equality of life prospects might be an elusive ideal. Versions of it abound and there is no agreement on what the measurement should be. Undoubtedly, all accounts are mistaken in some places. However, our aim was to identify the best approximations overall and, from the six propositions surveyed, we therefore tentatively endorse equality of resources as a distributive objective. In so doing we are well aware that an initially egalitarian distribution of resources might have non-egalitarian outcomes as individuals will not be equally efficient in converting resources into wellbeing. We arrive at our conclusion nonetheless, on the grounds that nobody has succeeded in contesting that the mere existence of natural resources is an undeserved asset. Like

most talents, resource endowments are arbitrary in the sense that they are not deserved. But unlike talents, resources are not naturally attached to persons. Resources are found 'out there', available to the first taker.

The natural distribution of resources is a purer case of something being arbitrary from a moral point of view. Resources must be appropriated before they can be used, whereas, in the talents case, the appropriation might, but does not necessarily have to, be a *fait accompli* of nature over which persons have no direct control. The impossibility to define natural talents — that is, to distinguish between those that are deserved (because developed) and those that are undeserved (because natural) — results in four of the six proposals failing what we might call the arbitrariness test: welfare, capabilities, opportunity and primary goods are dependent on successfully carrying out that distinction. The fifth contender, Cohen's 'Access to Advantage', in turn, is, as he himself admits, too unspecific as a metric for a global redistribution scheme.

Transferability and Origin

Our choosing of resources as the superior metric of equality for a global redistribution scheme needs further definition to avoid confusion. As the next level in figure 1 above indicates, we limit our understanding to *impersonal* resources only, that is to resources that are external to the individual, parts of the environment that can be owned and transferred, such as land, houses, educational services etc. They can be contrasted with other forms sometimes also referred to as resources: those that are constitutive of a person, intrinsic and thus non-transferable. Intrinsic resources are qualities of mind and body that affect people's success in achieving their plans and projects. At the ultimate level of the typology tree, impersonal resources can be further distinguished, depending on their origin, into either natural resources or man-made artefacts. At this juncture we opt for natural resources because the creation of artefacts is highly dependent on the set of talents available to their creators to convert natural resources into manufactured goods, which would yet again invite the talent-related objections.

Although possibly the smallest common denominator in terms of outcome after transfers, natural resources are thus the least objectionable base for redistribution from a moral point of view. All these arguments carry substantial conviction and recommend natural resources as the adequate type of equality on which a concept of global distributive justice should be based. However, it becomes quickly apparent that a redistribution of natural resources *in kind* poses extraordinary problems, not least on the global level. There is no practical way of sharing out unique resources either by means of land transfers or by means of multiple sovereignty over particular areas of territory which does not challenge the integrity of established communities. Nor is it a position held by many. The alternative of transferring resources from one country to another is similarly difficult and financially costly, not least since the technology for the efficient exploitation of resources such as minerals has become most concentrated in those regions where the resource assets themselves are located. Principles of distributive justice must therefore address the problem of resource entitlements indirectly, and it can do so by compensating, through taxation and subsequent redistribution of the revenues, certain communities and individuals for their lack of access to resources and the benefits that would result from them. With this preliminary con-

clusion developed we have identified the desired end at which corporate obligations should be directed. We are now able, in the second section of the paper, to deduct from it the means by which this end should be brought about.

Corporate Duties Identified

Thomas Pogge, a philosopher at Columbia University, has forwarded a proposal how a tax-and-transfer scheme as the one suggested in the previous section could be construed. According to Pogge (1998: 502), humanity has the obligation to redistribute funds globally by taxing the exploitation of natural resources. With a device that he calls the ‘Global Resources Dividend (GRD)’ he specifies an obligation that is much stronger than the notion of charity which underlies the current development policies and monetary transfers of industrialised countries. In his view, we currently do not only fail to fulfil a positive duty to help persons in acute distress. We also fail to fulfil the more stringent negative duty not to uphold injustice, not to contribute to or profit from the unjust impoverishment of others. Compliance with that duty is much more costly as it might imply having to give up certain practices, independent of whether or not this is in line with our choices.

Pogge calls his concept of the GRD ‘a moderate proposal’ as it accepts many features of the existing state system. Control over natural resources, for example, remains in the hands of states and decisions regarding the extent to which resources should be exploited are not interfered with. The suggestion is that the globally poor have an inalienable stake in all scarce natural resources. As with any dividend, the Global Resources Dividend entitles the holders – including the global poor, but also the rich – to have a share in the economic benefits from the use of the resources but, and this is crucial for the task of gaining acceptance among governments, does not bring about a stake in the decision about how, or whether or not, the resources are used.

Institutionalising Pogge’s GRD

Pogge assumes that the dividend principle can be applied to any resources that are eroded, worn down, or occupied. Pogge (1989: 512) estimates that a mere 1 percent GRD tax levied at the exploitation stage of resources could raise about \$300 billion per year, which would be equivalent to \$250 per person per year for the world’s poorest quintile (equivalent to 1 billion individuals). Such a redistribution system, so he claims, would yield several advantages: firstly, the creation of a continuous revenue stream without requiring drastic changes in the current economic system; secondly, the avoidance of any arrogant generosity and dependence as found in conventional programs because the GRD merely incorporates into international law the moral claim of the poor to partake in the benefits of the use of natural resources; and finally, through a sanction system of tariffs and duties, the disciplining of governments that are not efficient in distributing the received capital amongst the poor in their country.

Clearly, potential issues for Pogge’s GRD are quickly identified, some of which were already addressed in Pogge’s original text. One such issue is the question which of the various resources that exist in the natural world should be subjected to GRD

taxation. Should it include renewables (e.g. crop, livestock, fish), non-renewables (e.g. minerals), and/or indestructibles (sun, air, water)? And should the tax be applied, not only to resource exploitation but to degradation also? How do we obtain the data to measure the value of these resources, not all of which are traded in a market? Further, given that resource taxation can be construed in several ways, which of the various direct and indirect tax types is most suitable? And finally, what are the institutional requirements for the launch of a 'Global GRD Agency' that would set up and maintain the scheme.

These questions should not give the impression, however, that the task of institutionalising the GRD is insurmountable: a global tax on resource extraction faces obstacles that are similar to those that many other institutional change programmes have faced on the global stage in recent decades. Not all of them succeeded, but neither did they all fail. Important lessons are constantly learned from failures as well as successes. The feasibility to institutionalise the GRD should therefore not be discounted.

So, how does the corporation enter the picture of global poverty eradication then? According to Pogge himself it does not enter it at all. Pogge's assumption is that the world's major economic centres, and the USA and Europe in particular, sign up to the scheme at the same time (Pogge 1989: 518). He therefore expects most of the exploitation tax to be passed on to the companies that buy the resources. At the resource buyer stage, the tax will be again passed on until it eventually reaches the end consumers. It is at this final stage of the production-consumption chain where the tax is paid for. This follows, so Pogge, because the GRD is implemented uniformly across the globe at the same time. Resource buyers, in their ambition to circumvent the cost increase, would not be able to switch to other suppliers who do not have to pay the tax. Resource exploiting firms could, *ceteris paribus*, maintain their existing profit margins and shift the tax forward to their customers. The resource buyers, in turn, would also be able to shift the tax forward to their customer, until eventually the end-consumers pick up the tab. Depending on the price elasticity of the demand for the end products (which are, by and large, dependent on the availability of substitutes and the magnitude of the price escalation rippling through the value creation chain) the end consumer will have to pay most of the GRD burden. No corporate duty to carry the burden of the tax would have been established.

Contrary to Pogge, and as we extensively explained elsewhere (Haubrich 2004), we believe that this is a wrong assumption to make and that Pogge ignores many lessons learned in world politics since the end of World War Two. On no occasion have all major economic powers ever signed up at the same time to an international regime, particularly as far reaching as the GRD would be. As previous treaties on climate control, arms control or international trade have shown, a regime's ratification process might stretch over decades and some important countries might even never join. It is therefore doubtful whether Pogge's vision of full compliance from the start of the implementation process is realistic. It seems more rational to assume that some states, such as the USA, are unlikely to be among the initial signatory members of a regime to which they would have to surrender such a high degree of national fiscal autonomy, unless the treaty furthers her own economic interests.

States with traditionally more multilateral approaches to public policy are more likely candidates to incorporate the GRD proposal early. We therefore predict that at the outset of the implementation process not all resource producers of a given resource

are subjected to the scheme and that therefore the tax will be imposed on some earlier than on others. Quite another tax shifting scenario becomes apparent under this assumption then: the shifting of the tax burden from the exploitation stage to the end-consumer is largely prevented because resource exploiting firms in the countries that have signed up to the scheme find themselves incapable of compensating their increased cost base through an increase in prices that they could charge to their resource buyers. Resource buyers, if faced with increased prices, can switch to suppliers elsewhere where prices have not increased, because the GRD is *not* implemented uniformly across the globe at the same time.

And there is not much that the companies thus affected would be able to do about it. The threat of relocation to less developed, low- tax countries, which is often put to governments that announce rises in corporate taxes, does not cut the ice in the industry sectors we are concerned with here. The exploitation of natural resources is usually tied to a fixed territory where the reserves of the resource in question was geologically identified. It also requires substantial prior investments to be made into facilities such as mines or oilfields, which tend to pay off much later than in many other sectors of the economy. This fact represents a considerable obstacle to the quick exit strategies pursued, for example, by many firms selling easy-to-manufacture consumer goods.

Not all of the tax burden will therefore be shouldered by the end-consumer, as Pogge assumed, but corporations are impacted also: suppliers in countries where the tax is introduced will have to bear some burden of the tax, in effect reducing their profit margins. By introducing a resource tax, national law would have thus been the public's agency for translating morality into explicit corporate guidelines and practices.

As to the industry sectors affected, a quite significant part of a country's economy might be impacted. The exact scope would depend on the resource classes that would be subjected to the tax. However, companies extracting minerals such as gold, platinum, iron, copper, aluminium etc., or rocks and fuels such as salts, clays, coal, oil, gas and uranium would surely be among them. Less obvious candidates such as paper mills chopping trees, farmers harvesting crop and raising livestock, or fishermen catching marine and freshwater fish might also have to be included, depending on the set-up of the scheme.

The European Union as early adopter

Which countries would be most likely to adopt the GRD early and, thus, make resource exploiting firms inside their territories shoulder some of the burden of global poverty alleviation? Our assessment indicates that these would be the Member States of the European Union (EU), making corporations inside the Union the first ones to have to bear the burden of the GRD tax. This assumption is based on several observations. First, the GRD requires the surrendering of a crucial element of national fiscal policy making, namely taxation, to a supranational agency. The EU is a prominent example how, over time, such giving up of national sovereignty can prove to be more feasible than often assumed. From the foundation of the European Coal and Steel Community (ECSC) in 1951 to the codification of the European Union in 1993 there has been the progressive development of instruments that have given the EU the ability to operate internationally as an independent actor. No other international gov-

ernmental organisation has achieved the same scope and depth in supranational policy making.

Second, the EU has become a powerful political actor on the global stage, potentially shaping policy implemented by other actors. Contrary to what 'Balance of Power' theories might predict when a new power emerges, Europe has drawn, and is drawing, more and more nations into its web of economic and political associations. 'Countries want to join or to be linked with Europe, not to oppose it. Peripheral countries have been centripetally attracted to the European centre, not driven away from it' (Rosecrance 1997: 2). In the Bretton Woods Institutions, for example, EU member states today make up the largest block with 23 percent of the votes in the World Bank and 29 percent of the votes in the International Monetary Fund. It is thus well placed to exert influence to argue for the merits of the GRD proposal and advocate a later adoption of the tax on a global scale. And with the establishment of the World Trade Organisation (WTO) in 1995, the EU and its member states became founding members of a major new international institution where the EU has now the largest collective number of votes as a regional grouping. It is clear evidence for its renewed impetus in commercial policy, conducted predominantly through the Commission.

Third, the EU is a strong economic power providing 51 percent of World outflows of Foreign Direct Investment, 38 percent of exports of goods and services, and a share of 36 percent of World GDP. The EU also provides the largest proportion of financial aid transfers to developing countries. In 1996, 66 percent of global Official Development Assistance (ODA) was provided directly by the European Commission or the EU's member states (Van Reisen 1999: 28, 42). According to the ratio of ODA to Gross National Product, the EU is leading the table with 0.33 percent, compared to, for example, the US with 0.09 percent and Japan with 0.27 percent (*Spiegel*, 2001). Although her contributions, too, fall short of the 0.7 percent mark recommended by the UN, they remain yet unsurpassed by any other donor.

Finally, applying a tax to natural resources would not be too novel a vehicle for the EU, suggesting less resistance than might have initially been expected. A look into reports by the EU Commission (2000: 14-7) reveals that the EU's budget of currently 90 billion Euro annually is financed by customs duties, agricultural duties and sugar levies (20 percent), VAT resources (35 percent) and GNP-based resources (45 percent). Duties and levies are established by the member states, which keep 10 percent to cover collection costs. Custom duties are levied on trade with non-member countries, at rates based on the EU's Common Customs Tariff. Agricultural duties are charged when a member state imports agricultural products from a non-member country. Producers of sugar pay levies on production to cover market-support arrangements and to finance a system for the equalisation of sugar-storage costs, thus ensuring that sugar supplies reach the market steadily throughout the year. VAT resources are calculated by applying a uniform rate to the national VAT bases, which are determined in accordance with Community rules, and is currently set at 1.00 percent to the VAT base. Finally, GNP-based resources are also determined by Community rules and, in 1999, each member state paid 0.4752 percent of its GNP to co-finance the EU budget. These fiscal measures indicate that, in order to finance its operations, the EU employs fiscal instruments, and uses statistical data in its support, that are strikingly similar to what will be required from a tax imposed on natural resource exploitation. Implementing a GRD in the EU is therefore not an endeavour that starts from square one.

All these arguments carry sufficient conviction to support our assumption that the EU member states will be the first ones to adopt the GRD. The tax would be applied to resource exploitation inside EU member states and inside third countries where the EU can, through conditionality imposed within the framework of existing preferential trade agreements, enforce the GRD scheme.

Confining the tax initially to a certain geographic region is more than simply a political or practical necessity, however. In fact, piloting and testing should be seen as a beneficial and important step towards implementation of the GRD. For the more complex and turbulent the environment of a new political, technical, or entrepreneurial scheme is likely to be, the more important testing and experimentation becomes. While some aspects of the new scheme might work right from the start as planned, others will have to be modified and adapted to the circumstances as they evolve. The final solution for a global resource taxation scheme will be the result of a gradual process of adjustment and improvement that will continuously incorporate the lessons learned from previous implementation steps. It is therefore advisable to start the institutionalisation of the GRD tax on a smaller scale than eventually aimed at, with fewer participating countries. The initially limited scope allows for a better 'controllability' of the actors involved and provides a clearer understanding of the processes that are triggered, or changed, by the tax.

Conclusion

Eventually the GRD is meant to be a global tax, however, and although it might take a long time, it nonetheless constitutes the envisaged final stage of the scheme. With some resources, such as gold or oil, the geophysical stocks of which are not as widely distributed as more commonly available resources such as coal, livestock or crops, this milestone might be reached rather soon: subjecting their exploitation to GRD taxation will require the consent of relatively few governments only. Once the governments of these countries have started to apply the GRD to that resource, tax shifting *does* become possible and end-consumers will be held liable too.

Until that stage is reached, firms inside the EU will have to carry major parts of the tax burden. Through the imposition of a resource tax, the EU would have established a corporate obligation towards the eradication of global poverty hitherto unacknowledged. This paper has shown why, if implemented, the GRD is a sound and philosophically defensible mechanism to redistribute wealth from some parts of the globe to others. We have justified why impersonal natural resources is the superior choice among various alternatives of egalitarian metrics and why an implementation in an initially confined region is not only the most likely but also most desirable scenario. With his proposal, Pogge has come a long way from the abstract theoretical level on which debates in political philosophy are often conducted and offers a practical suggestion how ideals of international ethics can be implemented in the real world. To be sure, formidable obstacles await the policy maker if his proposal is institutionalised. But visions and social ideals are necessary to describe a goal toward which efforts at political change should aim, including concrete steps to pursue that change. And corporations will have to shoulder some of that burden.

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