1. Introduction

The 2008/09 World Financial Recession heralded the "Age of Responsibility" as the societal call for responsible market behavior achieved an unprecedented momentum. Responsibility is part of human nature and complements corporate activities and financial considerations. The economic, legal, social and philanthropic responsibilities within the corporate sector are attributed in corporate social responsibility (CSR). Sustainable financial social responsibility is addressed foremost by socially responsible investment (SRI). Globalization, political changes and societal trends, but also the current state of the world economy, have leveraged a societal demand for ingraining responsibility into market systems.

Intergenerational Equity explores corporate and financial social responsibility through the cases of CSR and SRI in order to draw attention to contemporary and prospective opportunities for intergenerational equity. Theoretical descriptions allow discussion of the human constituents of responsibility and the international emergence of CSR with special attention to multi-stakeholder partnerships. The rise of SRI in the international arena in the wake of stakeholder activism and intrinsic socio-psychological motives are outlined.

The aftermath of the 2008/09 World Financial Recession was referred to as the "Age of Responsibility" in then US president Barack Obama's inauguration speech in January 2009 (*Washington Post*, January 21, 2009). In the wake of the 2008 financial crisis, Obama called for a new spirit of responsibility that would serve the greater goals of society. According to former World Bank president Robert Zoellick the "new era of responsibility" features "changed attitudes and co-operative policies" steering responsible corporate conduct and socially responsible investment as means of societal progress (*Financial Times*, January 25, 2009).

In July 2010 the US Congress approved a sweeping expansion of federal financial regulation in response to the 2008 "financial excesses," which had caused the "worst recession since the Great Depression" (*New York Times*, July 15, 2010). The 2300-page legislative catalog of repairs and additions to the financial regulatory system reflected the existing mistrust in deregulated markets (*New York Times*, July 15, 2010). The US government set out to ensure responsibility in financial markets and protect against human ethical decision-making failures in this "most important Wall Street reform legislation in 75 years," in the words of the National Economic Council director Lawrence

Summers (*CNBC News*, July 21, 2010). We should not interpret this as an end to the idea of liberal market economies but rather appreciate the crisis's potential to create a future built upon renewed attention to social responsibility.

Only by understanding the past can we excel in the future. Studying the emergence of social responsibility will allow us to perfect future economies of free and responsible humankind. In such an attempt, let us examine the emergence of human social responsibility in modern economies. In the process we should not rest on the accomplishments but must also address the downfalls of human bounded ethicality in the search for future advancements.

Throughout recent decades, corporate and financial social responsibility have steadily transformed into concepts of worldwide recognition in the wake of globalization, political and societal trends.

During the last century, markets have been proven the most prominent form for distributing scarce resources. Within global markets, international corporations have continuously increased in scale, scope, output and economic influence into the most powerful resource allocation form for spreading innovation and prosperity around the world (Chua, 2003; Fitzgerald and Cormack, 2007; Micklethwait and Wooldridge, 2003; Rothkopf, 2008). The ascent of multinationals strengthened the corporate role in society and placed a greater share of social responsibility onto the corporate sector.

In recent decades, globalization featuring the progressive deterritorialization of social, political and economic interaction has concurrently raised societal concerns that are beyond the power, control and influence of national governments. In a globally interlinked world, governmental agencies' ability to protect citizenship rights, fulfill social obligations and avert global crises has gradually declined and imposed new levels of social responsibility onto corporate actors.

Governmental liberalization trends also affected social responsibility. Since the 1970s liberal markets have been praised as the optimum frameworks for exchange and drivers of innovation, in which the mere pursuit of self-interest by responsible market actors was believed to bring about societal progress and social welfare (Jones and Pollitt, 1998; Smith, 1776/1976). To let market forces float freely, a libertarian deregulation course was pursued featuring lowered regulatory control of trust-based market systems, which fostered the influence of corporate social service provision.

In addition, a societal call for responsible corporate conduct developed in advanced societies, in which the expectations of corporate conduct and market obligations sophisticated. With the IT revolution providing heightened degrees of easily accessible information, corporate societal impacts became subject to scrutiny by an affluent, internationally focused *Weltgesellschaft*, who demanded attention to consumer ethics around the globe (*Economist*, 2008; Nelson, 2004; Sichler, 2006, p. 8; Werther and Chandler, 2006). The emergence of NGOs further contributed to corporate conduct disclosure and the integration of social responsibility into corporate practices.

As with all these trends, multinational corporate conduct started exhibiting higher levels of responsibility vis-à-vis society. Having gained in economic weight and political power, the majority of corporations tapped into improving societal conditions by contributing to a wide range of social needs beyond the mere fulfillment of shareholder obligations and customer demands (De Silva and Amerasinghe, 2004; Kettl, 2006). Global players stepped in where traditional governments refrained from social service provision – foremost through privatization or welfare reforms. International corporations also filled the emerging governance gaps when governments could not administer or enforce citizenship rights, when new regulations were politically not desirable or feasible or even when governments had failed to provide social services (Steurer, 2010). By striving to meet citizenship goals, corporate executives integrated responsibility into ethical leadership that served multiple stakeholders by balancing economic goals with societal demands (DeThomasis and Anthony, 2006).

Today CSR has leveraged into a pivotal factor for aligning profit maximization with concern for societal well-being and environmental sustainability. Corporations contribute to social causes beyond mere economic and legal obligations (Elkington, 1998; Lea, 2002; Livesey, 2002; Matten and Crane, 2005; Wolff, 2002). By ingraining economic, legal, ethical and societal aspects into corporate conduct, CSR attributes the greater goal of enhancing the overall quality of life for this generation and those following (Carroll, 1979).

Nowadays almost all corporations have embedded social responsibility in their codes of conduct, introduced CSR in their stakeholder relations and incorporated socially conscientious practices in their management (Crane, Matten and Moon, 2004; Werther and Chandler, 2006). The emergence of CSR as the corporate mainstream is accompanied by CSR oversight by stakeholders advocating for corporate social conduct. In line with these trends, CSR has become an *en vogue* topic in academia. Academics challenge Milton Friedman's proclamation of profit maximization as the primary object of business activities and investigate innovative public private partnerships (PPPs) for contributing to social welfare (Moon, Crane and Matten, 2003; Nelson, 2004; Prahalad and Hammond, 2003). Under the guidance of international organizations, CSR has developed into a means of global governance social service provision in innovative PPPs that tackle social deficiencies. International organizations thereby bridge the gap between ethical standards and institutionalized ethical corporate conduct.

Concurrently with corporations having started to pay attention to social responsibility, ethical considerations have become part of the finance world. Developing an interest in corporate social conduct, conscientious investors nowadays fund socially responsible corporations (Ahmad, 2008; Sparkes, 2002; *Wall Street Journal*, 2008). In SRI, securities are selected not only for their expected yield and volatility but also for their social, environmental and institutional aspects. In the special SRI case of political divestiture, socially responsible investors refrain from contributing to politically incorrect market regimes.

With trends predicting continuing globalization, corporate conduct disclosure and societal crises beyond the control of single nation states, it is thought that the demand for corporate and financial social responsibilities will continuously rise (Beck, 1998; Bekefi, 2006; Fitzgerald and Cormack, 2007; Livesey, 2002; Scholte, 2000).

In the wake of the 2008 World Financial Recession, the call for responsibility within corporate and financial markets has achieved unprecedented momentum. Since August 2008 financial markets have become engulfed in an extraordinary sequence of events. The neglect of corporate and financial responsibility in a liberal market climate featuring an absence of regulatory and accountability control has weakened the world economy. Media coverage of corporate scandals, fiduciary breaches, astronomic CEO remuneration and financial managers' exuberance perpetuated stakeholders' skepticism about the performance of unregulated, trust-based market systems. The announcement of the recapitalization of the banking system in October 2008 halted worldwide liberalization trends and created a demand for the ingraining of social responsibility in a corporate and finance world that is regulated by a "watchful eye" over the marketplace (Obama, inauguration speech, *Washington Post*, January 21, 2009). Governmental bail-outs in the wake of corporate bankruptcy have contributed to stakeholder pressure and hold the potential to re-establish governmental oversight of the corporate and financial worlds (Greenspan, 2007). In the current shift of public and private sector forces in addressing social responsibility, the optimum balance of public and private social contributions, as well as the degree of trust in disciplined market actors and regulatory oversight of economic transactions, is yet to be determined. With US president Barack Obama dedicating his inauguration speech to responsibility as a means to re-establishing trust in market systems in the aftermath of the 2008 financial downturns, but also in the light of the following recapitalization of the banking system, the roles of governmental, financial and corporate actors in addressing social responsibility have been redefined (Duchac, 2008).

What can we do to prevent similar events in the future? To avoid a recurrent scenario in the future, sustainable financial success appears to be key. In order to generate more sustainable financial leadership, transparency of private sector activities, accountability of financial market operations and responsibility of market actors are demanded by political and financial leaders. Mainstream economic theories have been preoccupied with demonstrating how markets are largely efficient, unregulated market forces working towards the best interest of the single market participant and the collective of societal constituents. Financial crisis theories have largely ignored socio-psychological notions of economic systems, emotional facets of market participants and their emotional decision-making fallibility imposing risk onto economic systems. As for gaining an accurate understanding of economic markets, future research must widen the interdisciplinary lens and consider socio-psychological motives in corporate, economic and financial theories and models.

Depicting the socio-psychological causes, historical roots and political frameworks of responsibility within corporate and financial markets provides an opportunity to understand the interplay of trust in responsible market actors and governmental oversight control as vital ingredients for functioning market economies and democratic societies. Reflecting on responsibility within market systems may serve to allow a better understanding of real-market responsibility phenomena in order to find a well-tempered balance of public and private social contributions within modern market economies. In the interplay of public and private responsibility, legislation can only create favorable structures for social responsibility, but, within complex, trust-based market systems, social conscientiousness must be nurtured to grow in socially conscientious leaders, who will attract others to follow their paths.

As a first step in this direction, this book is dedicated to exploring the concept of responsibility within modern market economies. Overall it is targeted at describing historical, socio-psychological, cognitive, political and economic processes that impact on social responsibility within corporate and financial markets in order to draw inferences on how to foster sustainable economies.

The theoretical chapters of the book shed light on intergenerational equity and the foundations of human responsibility and ethicality. In terms of the current overindebtedness of the Western world, social welfare prospects and climate change, we are already behind schedule when it comes to fundamental foresight and preparedness. This book thus aims to contribute to thought on eternal equity by introducing the idea that globalization imposes unprecedented intergenerational equity constraints regarding financial market stability, social welfare reform and environmental sustainability in the light of natural resources consumption and climate change in order to capture intergenerational equity as a natural behavioral law. A human-imbued Überethical drive towards intergenerational conscientiousness consisting of social responsibility and future orientation is argued to be the basis of eternal equity constituting legal foundations, public policies and regulation but also echoing in bottom-up participatory democracy and social representations of intergenerational equity.

Social responsibility within market systems is foremost addressed by CSR, which is of value to multiple constituents. CSR is introduced as a culture-dependent phenomenon, which emerged in the US and Western Europe. As a means of global governance provision, CSR contributes to social services in PPPs and serves multi-stakeholder management and conflict resolution purposes. The United Nations Global Compact (UNGC) offers CSR best practice principles and fosters corporate social conduct as a feature of global governance provision in multi-stakeholder partnerships. The Global Alliance for Information and Communication Technologies and Development (GAID) is a recent example of an innovative PPP that implements social responsibility under the auspices of the UN.

Sustainable financial social responsibility necessitates the consideration of CSR in investment decisions, which is the basis for SRI. The most common forms to align financial investments with ethical, moral and social causes are socially responsible screening, shareholder advocacy, community investing and social venture capital funding. SRI is a multi-stakeholder phenomenon that comprises economic, organizational and societal actors. The emergence of SRI in the Western world within recent decades can be traced back to a combination of historical incidents, legislative compulsion and stakeholder pressure. As a culture-dependent phenomenon, financial social responsibility features international differences in SRI conduct. The UN plays a pivotal role in promoting SRI in initiatives and actions. Financial investment strategies are coupled with political activism in the case of political divestiture, which refers to the removal of investment from socially irresponsible markets with the greater goal of accomplishing socio-political changes. It is proposed that financial social responsibility be based on socio-psychological SRI motives that supplement rational profit maximization endeavors. The role of leadership and trust is discussed as a prerequisite for financial reporting and fraud prevention but also for managerial ethics in the contexts of CSR and SRI. Current research on the transition from image risk to global risk management in the domain of intergenerational equity is introduced.

Overall the book explores innovative ways in which corporations and financial markets can balance intergenerational equity constraints and create sustainable value for society. The research is targeted at outlining potentials and resolving deficiencies in the implementation of corporate and sustainable financial social responsibility for ensuring intergenerational equity. In sum the book may help guide the administration of CSR and SRI to foster the overarching goal of improving the living conditions of this generation and those following.