

June 2022

VOLUME XIII, ISSUE VI

PEGASUS

A NEWSLETTER FOR THE CAUX ROUND TABLE FOR MORAL CAPITALISM
NETWORK LOOKING AT BUSINESS ABOVE THE CLUTTER AND CONFETTI



Pegasus

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Introduction

This issue of *Pegasus* brings you some different approaches to how we might think about capitalism. The two essays and the text of the oath for MBAs shifts the focus from system and organization to individual. So many of our discussions about what to do about capitalism take a systems approach, probably under the influence of Karl Marx, who thought in terms of social systems – class systems of oppression. For him, what could any individual do against the forces of history?

Though interestingly, *The Communist Manifesto* ends with an appeal to individuals – “Workers of the World” to take action – “Unite.”

Adam Smith’s study of the origin of the wealth of nations looks very closely at individuals as market actors – their goals and objectives and their responses to incentives, such as price. Yet, many easily slip into thinking of Smith as defending a “system” of markets delivering the common good through the machinations of some “invisible hand.”

If we shift from systems and organizations, we must open up the perspective of virtue ethics, the focus of Confucius and Aristotle and most religions.

In this issue, Michael Hartoonian, our Associate Editor, reflects on the opportunity costs consequent on decisions. He carries the locus of thinking about what opportunities we forgo in our decisions to the life enterprises of individuals. Michael importantly notes that ethics has a role in reducing opportunity costs by making our thinking more aware and sensitive to the future and to others.

I provide a comment on shifting our focus from moral capitalism as a system, to moral capitalists as actors who can make a moral capitalism more of a reality.

Lastly, we provide the text of the MBA Oath from 2009, an attempt by graduates of the Harvard Business School to “transform” MBAs from system analysts of financial architecture into moral capitalists.

Stephen B. Young
Global Executive Director
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Opportunity Costs and Morality

Michael Hartoonian

*The opportunities that God sends
Does not wake-up him who is asleep.*
-Senegalese proverb

Opportunity costs include considerations of both economic and moral principles. The idea assumes that scarce resources, like time and money, force you to make choices. The truth is, no matter which choice you make, you are going to pay a price in terms of the opportunities denied because of your decision. For example, if you go down one road, you can't go down another road at the same time. You will gain, as well as lose something in the journey. Taking one road exacts the cost of not being able to take the second road. If you have an important business meeting to attend in a distant city and it takes place on the same day that your son will act in his first high school play, you understand that whatever you do, you will have a price and an opportunity cost. That cost is the cost of not doing one or the other. If you believe that some choices are without opportunity cost and can be decided using a formula or no thought at all, these choices are, for the most part, trivial, like deciding to wear a white rather than a blue shirt. Any choice that demands a consideration of trade-offs must contemplate the calculus of the costs and benefits, as well as the larger moral principles engaged.

What is most interesting and important is the notion that opportunity costs apply to institutions, as well as to individuals if, for no other reason, than institutions are run by people and only the individuals within them can be ethical, the U.S. Supreme Court's decision in *Citizens' United* notwithstanding. An institution cannot be human or a person. To argue that an institution is a person belies nature, law and common sense. The only way it can make sense is to assume that some people simply want to escape responsibility and they allow the government to do what they are incapable of doing or don't have the character to do. Only ethical people can create moral conditions when they act as ethical beings with one another, regardless of the structures in which we happen to live, worship, work or play. Indeed, because almost all decisions involve other people or people who work within institutions, opportunity costs are, by definition, moral acts. This fact illuminates two conditions. First, it matters not who makes a decision – person, family, firm or nation. The decision is made by people and will mandate a price, an opportunity lost or gained. That price will include an ethical (personal) and moral (social) dimension, extending far beyond the immediate temporal and spatial limits. That is, if I or we do X, will that decision enhance or diminish moral relationships or human welfare over time? Without that consideration, the opportunity cost will be high and perhaps unredeemable.

Most decisions that end with extracting high opportunity costs are the result of incompetence. Incompetence is observed when a child won't do her homework; when a husband slaps his wife; when a person lies to get her way; when an institution takes over the responsibilities of another institution; or when a nation invades another nation absent truth. In all of these examples, we witness the inability to consider the impact of our choices on others. This is deep incompetence. Consider the lack of perspective (virtue) in decisions like going to war, lying, putting your life before others and so forth. In these and other decisions, there are moral considerations that demand attention for the price paid. Without rational and ethical attention, the results will be catastrophic – always have been, always will be.

Opportunity costs considerations:

- Which is the higher value: life or love? Is there something or someone that you are willing to die for? God so loved the world that He gave His Son to die for... and what about Lincoln's question: what is the last full measure of devotion?
- What should be the time horizon for a decision's impact on others? Your children? Your parents? Your character? The environment? The care of Art?
- Which is a higher value: comfort or honor? What are honor, character or conscience worth? What does it mean to be worthy?
- How will your choice influence your future and the future of children? Living for today is, at best, amoral. Consider Martin Luther's thought: "If I knew the world would end tomorrow, I would still plant a tree today."
- What does opportunity costs have to do with responsibility? With happiness?



As I think about the issues of today, whether war, poverty, ignorance or lack of character, they have been part of the human race forever. We might believe that we are different, but what's the evidence? Perhaps we think that demographics and technology have changed the metrics. They are the causes of our problems, not our choices. To think thusly is to initiate yourself into the circle of victimhood. Victims tend to believe notions such as:

"I'm poor because the schools are not doing their job of teaching." What about my job of learning?

"It's the governments' fault that I can't get ahead financially." Notwithstanding the fact that you hold the highest government office in the land – the office of citizen.

"I seldom feel good about myself and I'm often ill because healthcare is so expensive." What part or percentage of caring for your health and well-being must be shared by you? Business? State? How can you better allocate your time and efforts to become healthier? Is it not clear to you that health, education and character are necessary qualities to health, a life of purpose, agency and happiness?

"They're trying to destroy my culture." Who are they? Can you define your culture with understanding?



Perhaps you're in the position you're in because of bad luck. More likely, however, you have been making choices without considering the opportunity costs related to your character and health. "Live for today" makes a catchy bumper sticker, but destroys character simply because your behavior is a function of what you plan (for) and think will happen to you tomorrow. This characteristic is far more important than blaming someone else for what happened to you in the past.

At the social and citizen level, you must develop agency or effectiveness in the larger political realm. To be a citizen means to have skin in the game – in your community and in your personal life. To the degree that you allow others to direct your choices in life, to that same degree, you become a victim. It's all about choices. Rightful choices equate to agency and responsibility. Rightful choices consider the full scope of costs to self, community, reputation and your children's children, even if you have no children.

Fundamental Choices

Recently, our society has been “debating” and struggling with abortion and its impact on individuals and society. What will happen if Roe v. Wade (1973) is overturned, as suggested in the leaked draft from the U.S. Supreme Court?

Will it make both political parties better at handling their responsibilities?

Will it cause poor and middle class families greater hardships?

Will it cause people to dig in regarding beliefs about life and an individual’s right to choose?

It may seem that questions like these are the ones to be answered, but they cannot be until citizens can dive deeper into some democratic and human value tensions inherent in the issue. Let me start with some obvious questions that need serious debate. Of course, citizens will consider the opportunity costs of each tension – this assumes citizens will engage. As an aside, I find many people in this debate are really just subjects, not citizens, because they don’t have the knowledge to engage in rational and moral debate.

From the Ten Commandments (Judaism/Christianity, also part of all human political/law mandates):

Love v. Life – Which is the higher value and what is the religious/philosophical tension between them?

Honesty v. Comfort/Coveting – Can you truly see your behavior within the law of reciprocal duty to others? Why would you forsake truth for comfort? Why is truth always contested?

Generational Covenant v. Living for Today – Does a generational covenant deal with life, quality of life for children, love of self and respect for others? Who will care for the children? It doesn’t take a village to nurture a child, “it takes a village to nurture the children.” Through honest and civic debate, we will see what theologians (not TV preachers) have understood for ages and that is the reality that life is not worth very much without first putting emphasis on love, honesty and a powerful perspective of the aesthetics of culture. What makes a society care for the well-being of others, right here, right now? Do we understand that our present behavior leaves footprints in the future? In fact, the Commandments are clear that there is no life without love of our neighbors, no honesty without reciprocal duties to each other (not just members of our gang) and no contemporary well-being without intentional care of the future.

From Shakespeare – Hamlet’s soliloquy, at the end of act four, scene four: “What is a man, if his chief good and market of his time be to sleep and feed? A beast, no More!” There is a

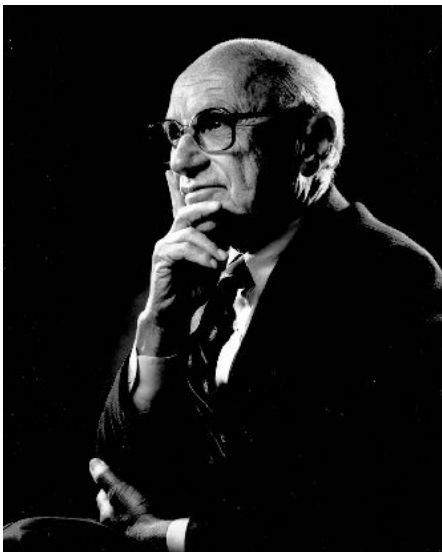
difference between the beast and the human. Beasts feed, humans dine. Beasts have sex, humans make love and understand the difference. Beasts die, humans pass on.

From the Declaration of Independence – “Life, liberty and the pursuit of (public) happiness.” In the original draft, Jefferson used the concept of public happiness, knowing that the only real happiness is public or moral – between and among the people. In other words, happiness is a by-product of doing right and doing what is good for the community. The happy person understands that an individual cannot be happy alone. Happiness comes from giving of oneself to others.

We should also ask, which is a higher value – life or liberty? It’s a trick question. The philosopher, like Jefferson, would argue that there is no life without liberty, only existence. He should have also known that if you assume life over existence, you must also have liberty. Without liberty of choice, there is not life. For example, a slave can be freed, but without choice and a degree of equality, there is no life, only continued and meaningless existence.

We may believe that choice and the opportunities associated with our choice are simply the results of people acting rationally. Back in the mid-20th century, people used to imagine the “economic man.” Never was such a thing; never will be. Now, the field of economics is defined in calculus, probabilities and behavioral research. Models have taken the place of human complexity. Very few understand modeling, prediction and risk analysis. That is to say, without attention to the above mentioned theological and philosophical wisdom, opportunity costs will move across the earth, wreaking havoc over every landscape.

If we were wise enough, would we understand the opportunity costs of war? Of the concentration of money and power? Of corrupt business practices? Of bureaucratic overreach? Of church abuse? Do we have any idea what those lives and resources, so lost, might have served to better everyone’s life on earth?



Milton Friedman

We can argue about hubris, nationalism, power-hunger or any of many imagined reasons, but when you get down to the real reason, it’s incompetence...a deep ignorance of the moral connections that define what it means to be human. It’s about putting first things first. From my vantage point, it’s understanding the moral prerequisite to capitalism. It is not the failed and corrupt landscape left behind by the ignorance of people like former G.E. CEO Jack Welch, former President Trump and even former Nobel winner, Milton Friedman. It may seem that Friedman’s name should not be on this list, but note from this article critiquing Friedman’s argument in Forbes, by Steve Denning, senior contributor:

The Origin of the World's Dumbest Idea: Milton Friedman

“Friedman’s idea was ferocious. Any business executives who pursued a goal other than making money were, Friedman said, “unwitting puppets of the intellectual forces that have been undermining the basis of a free society these past decades.” They were guilty of “analytical looseness and lack of rigor.” They had even turned themselves into “unelected government officials” who were illegally taxing employers and customers.

How did the Nobel-prize winner arrive at these conclusions? It’s curious that a paper which accuses others of “analytical looseness and lack of rigor” assumes its conclusion before it begins. “In a free-enterprise, private-property system,” the article states flatly at the outset as an obvious truth requiring no justification or proof, “a corporate executive is an employee of the owners of the business,” namely the shareholders.”

This is what happens when a theory that has neither validity, nor historic reliability, is taken seriously by even more unenlightened people. Friedman knew little about capitalism or he would have known that commerce is a moral enterprise. Without an ethical contract, markets become expensive, sluggish and corrupt. Even Henry Ford was a better capitalist than Friedman. At least Ford understood that there was a relationship between employer, employee and the ethical and material infrastructure. Virtue is the ability to have an inclusive vision. Just because you don’t want to look doesn’t mean you don’t affect the market and your own bottom line, which, by the way, is wealth, NOT profit. If you don’t understand the difference, you have no business, only an ego. The proof is in the history. Welch, Friedman, Trump and their disciples (they are true believers) are best known for bad ideas, failure and for destroyed lives. We could add “leaders” from churches, government, business and sports and simply say we are an ignorant people about capitalism, democracy and morality.

Opportunity cost, absent any morally measured decision, will lead to the kinds of disease, disorder, distortions, dis-ease and destruction we see around the world. There is a way to a better future and that way is through moral sentiments. The temple of happiness can only be entered through the courtyard of morality. This is altogether true – always has been, always will be.

Michael Hartoonian is Associate Editor of Pegasus.

Recentering Moral Capitalism

Stephen B. Young

In my 2004 book *Moral Capitalism*, following the advocacy of members of the Caux Round Table, I added chapter 13 on principled business leadership: stepping up to the challenge of moral capitalism.

I quoted Confucius to the point, “To see what is right and not do it is want of courage.” (Analects, Bk. II, Chap. XXIV, 2)

And I recalled the ideal of the U.S. Seabees in World War II: “The difficult we do at once; the impossible takes a little longer.”

And I quoted American cartoon strip Pogo from the 1950’s: “We have met the enemy and he is us.”



It is a universal problem with morality and ethics that, as the jurists say, they are not “self-executing.” Some person must do the heavy lifting. Goodness does not happen of itself. Idealism needs agents to become a force in the world. The cosmos is silent as to matters of right and wrong and so leaves us to our own devices and to our fates.

Or as Bonnie Raitt puts it in one of her songs:

*You step out on the track in the pourin' rain
And when you get run over, well, you blame the train
And dontcha think that you had enough?
Ain't it time to get a different view?*

*Can't just wait around for what you want
 It's all about the way you choose
 Ain't nobody else that can make things right
 Baby, it's down to you*

Aristotle could write about virtue ethics. Buddha could give sermons on illusion, enlightenment and the middle path. Jesus could advise us to love our neighbors as ourselves. But who is going to do the hard work of being ethical, especially now when there are minions out there on social media who will chop you to emotional bits and pieces of personhood for falling short, in their eyes?

Where enterprise and finance are concerned, what if we shifted our focus away from the entity, the structure, the company, the corporation, to the individual? What would it take for one to become a “moral capitalist?”

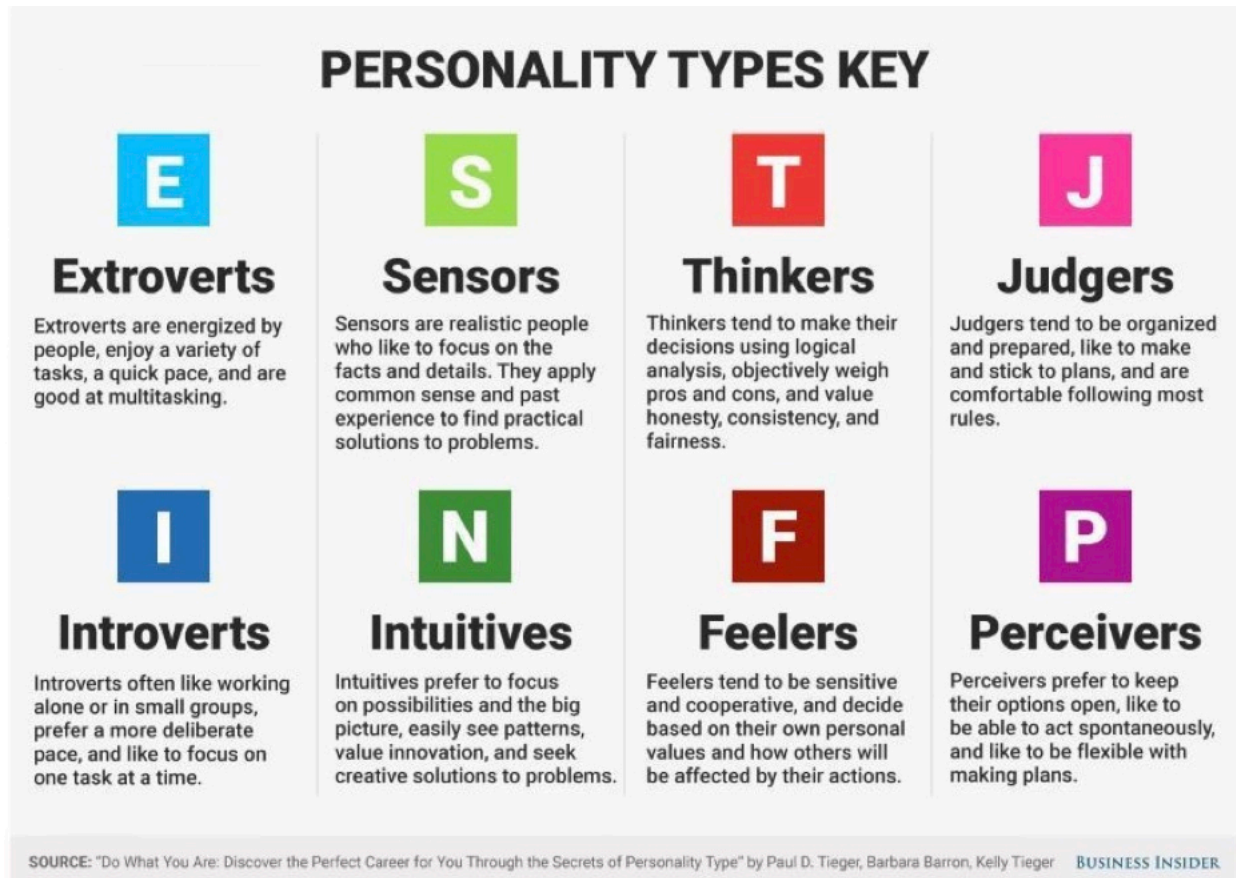
Now we have shifted the challenge of making the world better to our character; our inclinations; our personality profile; our habits; our inherent “niceness” or “badness.” We then would hold up for scrutiny the character and personal proclivities of those who own and work in enterprise and finance. Accordingly, we would expect those in business and finance to achieve moral capitalism by their becoming, one by one, moral capitalists.

One, then, immediately thinks of Gallup’s StrengthsFinder and the Myers-Briggs personality assessments as helpful guides to better outcomes from capitalism.

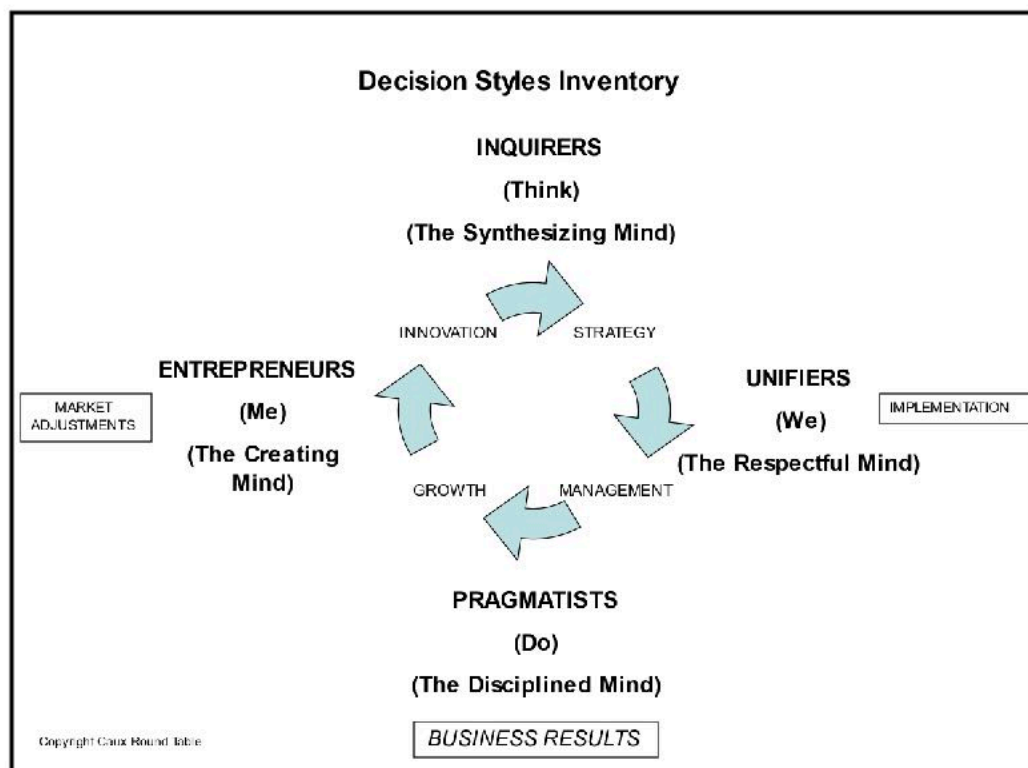
The Gallup StrengthsFinder personality assessment brings forth personal traits which fall into these categories of action orientation:

4 DOMAINS OF TEAM STRENGTHS			
EXECUTING 执行力	INFLUENCING 影响力	RELATIONSHIP BUILDING 关系建立	STRATEGIC THINKING 战略思维
People with dominant Executing themes know how to make things happen.	People with dominant Influencing themes know how to take charge, speak up, and make sure the team is heard.	People with dominant Relationship Building themes have the ability to build strong relationships that can hold a team together and make the team greater than the sum of its parts.	People with dominant Strategic Thinking themes help teams consider what could be. They absorb and analyze information that can inform better decisions.
Achiever Arranger Belief Consistency Deliberative Discipline Focus Responsibility Restorative	Activator Command Communication Competition Maximizer Self-Assurance Significance Woo	Adaptability Connectedness Developer Empathy Harmony Includer Individualization Positivity Relator	Analytical Context Futuristic Ideation Input Intellection Learner Strategic

The Myers-Briggs categories of different personality dispositions are:



At the Caux Round Table, we have proposed 4 very different ones from the other decision-making styles as how individuals tend to get things done:



Every individual in an organization, however, occupies a space in between. On one side is the person, the unique individual, while on the other is the role responsibility, the expectations of loyalty and due care, which attach to an agent hired by an organization to serve its purposes.

Much of corporate social responsibility or stakeholder capitalism puts importance on the decisions and actions of organizations, as is appropriate for organizations that wield social, economic, cultural and political powers. As a matter of community policy, we need to influence, at times even control, their behaviors. But when we focus on the organization, we can easily lose sight of just who in the structure will do the right thing? Action comes down to individuals.

This was the key insight of Chester Barnard in his most important 1938 work, *The Functions of the Executive*. Barnard argued that the executive function belonged to individuals only – not to teams; not to key performance indicators; not to concept papers; not to HR reports and metrics; but to strong, determined, courageous, wise and subtle individuals.

He defined leadership as “the power of individuals to inspire cooperative personal decisions by creating faith: faith in common understanding; faith in the probability of success; faith in the ultimate satisfaction of personal motives; faith in the integrity of objective authority; faith in the superiority of common purpose as a personal aim of those who partake in it.”

Barnard continued: “The point is that responsibility is the property of an individual by which whatever morality exists in him becomes effective in conduct.”

Faith is personal and individual. It can be shared, but it is, at its root, not a collective good, though it can move thousands of the like-minded to great good and to great evil.

Barnard concluded: “So among those who cooperate, the things that are seen are moved by the things unseen. Out of the void comes the spirit that shapes the ends of men.”

The spirit and the unseen are in the minds of individuals, not to be found in org charts, balance sheets, P&L statements or annual reports and tax returns. But the balance sheet, the P&L statement, the annual report and the tax returns each report on what individuals in the organization collectively have or have not accomplished.

Charisma is the individual’s connection to the spirit and the unseen. Gaining access to a charisma, a semi-divine inspiration of heart, mind and soul, makes one an executive, a leader. Every moral capitalist needs such a charismatic spark. This is what Adam Smith called the “impartial spectator’ within the breast” – the unseen, all-knowing consciousness of our inner self, which bestows pride or shame, as we think we deserve.

Attend to your charisma and you will attend to the meaning and the success of your life.

Heraclitus advised that, for every person, *ethos anthropos daimon* – ethics gives us charisma.

Ethics and morality, then, are works. They are “to do” lists for each of us. As works, they are also vocations, callings of the spirit and the unseen, which can install a charism in each of us human persons.

Stephen B. Young is Global Executive Director of the Caux Round Table for Moral Capitalism.

The MBA Oath

As a business leader I recognize my role in society.

My purpose is to lead people and manage resources to create value that no single individual can create alone.

My decisions affect the well-being of individuals inside and outside my enterprise, today and tomorrow. Therefore, I promise that:

- I will manage my enterprise with loyalty and care, and will not advance my personal interests at the expense of my enterprise or society.
- I will understand and uphold, in letter and spirit, the laws and contracts governing my conduct and that of my enterprise.
- I will refrain from corruption, unfair competition, or business practices harmful to society.
- I will protect the human rights and dignity of all people affected by my enterprise, and I will oppose discrimination and exploitation.
- I will protect the right of future generations to advance their standard of living and enjoy a healthy planet.
- I will report the performance and risks of my enterprise accurately and honestly.
- I will invest in developing myself and others, helping the management profession continue to advance and create sustainable and inclusive prosperity.

In exercising my professional duties according to these principles, I recognize that my behavior must set an example of integrity, eliciting trust and esteem from those I serve. I will remain accountable to my peers and to society for my actions and for upholding these standards. This oath I make freely, and upon my honor.



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