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VOLUME XIV, ISSUE I

# 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

It is with some pride and enthusiasm that I write this introduction to the January 2024 issue of *Pegasus*.

In a short statement, our colleague, Michael Hartoonian, gets to the heart of the matter of moral capitalism, moral government, moral society and moral civilizations.

I might say that from the perspective of evolutionary biology, our species of homo sapiens has evolved through a process of acquiring assets – making fire, stone and then metal tools; moving from hunter-gatherer bands to settled communities (though, I once heard a presentation that when our ancestors moved on to settlements and agriculture, they did so in order to obtain grain from which to make alcohol and so get more enjoyment out of life); finding gods to inspire more asset creation and chastise the wayward. It has been asset accumulation down through the millennia.

Michael's thoughts point the way to the highest and best use of the Caux Round Table network and undertakings – 1) understanding what are the good assets and where our liabilities lie; 2) understanding how to make more good assets and reduce the liabilities; and 3) proposing ideals and ideas for enhancing asset accumulation by individuals, companies and governments.

Secondly, in this issue, you can consider our “value-added” contributions as noted in our 2023 Year-in-Review (annual report).

Finally, my thanks again for your interest, collaboration and support.

*Stephen B. Young*  
*Global Executive Director*  
*Caux Round Table for Moral Capitalism*

# Human, Social and Institutional Capital

## *The Nature of Assets*

Michael Hartoonian

*Human assets are the most valuable  
resources the world has.*

*They are all needed desperately.*

-Eleanor Roosevelt

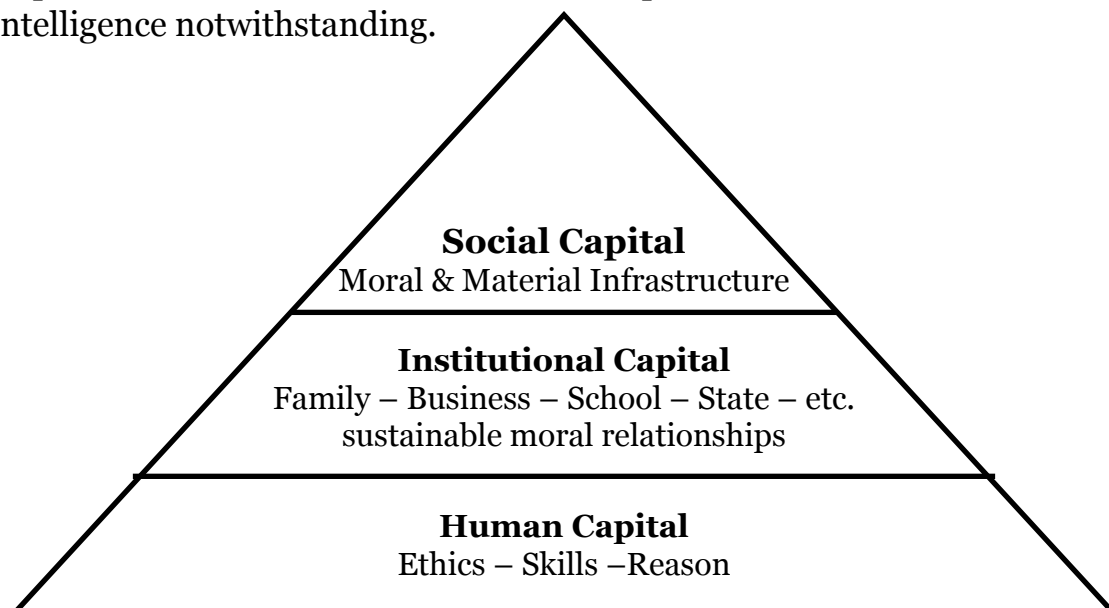
## Introduction

Assets are gifts we give ourselves so we can achieve wealth and happiness. Any theory of assets necessarily carries references to the following attributes:

- Human, institutional and social capital.
- Responsibility.
- Principles aligned with practices.
- The character, skill and intellect to move from what is or what we believe to be real, to what could and ought to be – an understanding of the natural and moral discrepancies between conceptions of the real and the ideal.

## The Taxonomy of Assets

The primary assumption in this argument is that an asset is best understood as capital – human, institutional and social. Further, there is an order and dependency among the three types of capital. Social capital is built on institutional capital and both rest on the foundation of human capital. That is, social and institutional capital cannot exist without human capital, Artificial Intelligence notwithstanding.



This taxonomy makes the claim that all **social capital** rests on **institutional capital** and both must be grounded in **human capital**. The hierarchy is maintained through general education available to all and a learning environment that puts a priority on both merit and accountability. There exists in the zeitgeist of society a personal integrity and understanding that self-interest is only sustainable within common interest. Social and institutional capital are simply dependent variables. They depend on human capital for their integrity, creativity and accountability. Without human capital, there can be no social or institutional capital. Claim or no claim, it is a fact, patent to anyone paying attention to any sense of happiness or wealth, that the ethics of the individual is a necessary condition for a moral institution or society. This is necessarily true – as true as the fact that the 23.5 degrees tilt of the Earth is the cause of different seasons on Earth.

## **Assets and Responsibility**

As with all things good, assets come by grace and grace comes by responsibility. Not just any kind of responsibility, but a responsibility of the spirit and mind to be an aesthetic and ethical agent within all the institutions to which one claims membership. Responsibility is often understood as a duty, but when applied to human assets, duty must be joined with one's identity, a discipline or set of rightful habits and love. Discipline, meaning disciple and love, as in the Greek, "agape," is a desire for the best for the other. Thus, responsibility has the attributes of identity, duty, discipline and love. Perhaps, a little story would help us see how and why responsibility is tied to these conditions. During the 19<sup>th</sup> century, when merchant sailing vessels met at sea, they would ask each other three questions:

- 1) Who are you?
- 2) Who is your captain?
- 3) What is your destination?

Note the emphasis on identity (your reputation for love and stewardship), on captain or belief system (disciple) and on a plan that will take you into the future. All these factors make up the assets of the ship. That is, the human capital of each sailor, the institutional capital of the ship and the social capital of the country or company that owns the ship. Assets are defined by all three – human, institutional and social. It is a logical impossibility to have one without the other.

## **Principles and Practices**

Often, institutional leaders will claim that principles are fine for those outside the organization, including governments, but within this institution, it is all we can do to just keep the "ship" afloat. Thinking about principles might be fine for those who have the time, but for those of us in the "trenches," there just isn't the time or desire. Principles are not practical. Yet, I would claim that when it comes to wealth creation (excellence), principles are the most practical elements of the institution, including the institution of family. We lead with our beliefs, but if those beliefs go unquestioned by principles, the institution runs the high risk of

inviting corruption and blowing up. Principles help define those practices that lead toward sustainability. The wise person always understands that wealth is correlated with moral sentiments.

The alignment of practices with principles is realized through policies that engage people in not only defining problems, but in helping to solve those problems. All are welcome at the table, but only if they acknowledge that they are part of the problem and its solution. It must be clear to everyone that rightful policies must include irresistible ideas (ethical, aesthetic, reasoned and simple – not simple-minded), leadership (not necessarily in one person or group), resources (time, effort, money and talent) and a coalition of people who understand the difference between virtue and vice and between politeness and civility. These are not easy things to do, but purpose, hope and happiness are rooted in this responsibility. There is no other seedbed for growing assets.

### **Assets, Delayed Gratification and Future Spending**

The Caux Round Table Principles for Business lay out a framework for wealth creation that demands patient capital. Patient capital encompasses ideas of sacrifice, hope and the understanding that your behavior today is shaped by your images of the future. This means using investments of time, talent and material resources to grow assets in the future. This takes patience and prudence and the necessity to deal with the discrepancy between the definition of reality today and the hoped-for ideal in the future.

Assets never are, so much as they are to be. To treat the present without a future standard is to debase life and drain it of meaning. “Living in the moment” is admitting the rejection of perspective and denies moral sentiments. Without hope, the future vanishes and we are left with only the scraps of life. Be it a moment of eating a great dinner, making love, watching a sunset, hearing beautiful music or composing a letter, there must be a tie to the other and that relationship must link the others to you in the future. All we need to do is consider why humans make the moral link and this link is not just a question of degree. Animals feed, humans dine (in communion). Animals have sex, humans make love. Animals die, humans pass on. Why the difference? Humans understand that moral connections make them human. If the chief purpose of life is to feed and have sex in the moment, we are beasts, nothing more. If a person says: “Eat, drink and be merry, for tomorrow we die,” that person is without a clear grasp of the past and ethical standards for the future. Pay no attention, for that person is already dead.

### **Human Assets, Merit and Responsibility**

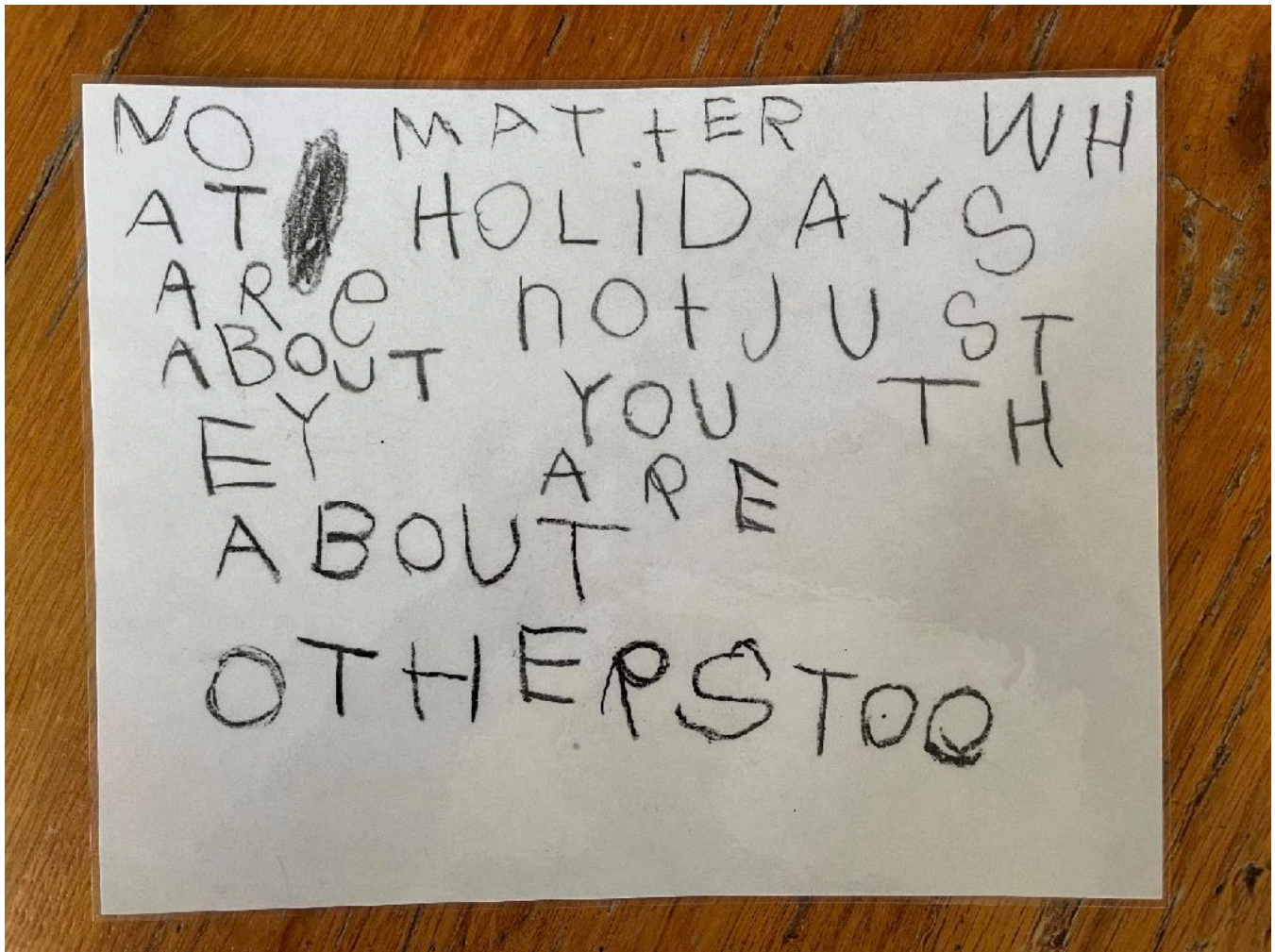
Human capital is created through merit and civility. This may sound strange, but merit and morality are, in their etymologies, connected in meaning and behavior. Accumulating money or other things, absent merit, breaks the moral bonds among people and one is left with anger and hate. The world is full of sad people, thus oriented. People who are without any connection to others (even their family) or to the future are concerned with only the moment

and self. They are both hollow and dangerous people.

Human capital is foundational to institutional and social capital. The latter cannot exist without the former. Put another way, take care of the boy and the man will create human capital.

“The girl is the mother of the women.”

Here is an example, written by a 5-year-old girl who lives in Salt Lake City, Utah. This is her reality because of parent and community modeling. She is well on her way to creating wealth and human capital throughout her life and will be a blessing to all who know her:



***(“No matter what, holidays are not just about you, they are about others too.”)***

The first question is do we, as the little girl from Utah, have the responsibility, merit and happiness necessary to develop our own human capital?

## **Conclusion**

*Voluntary obligations – the moral space between human capital and institutional/social capital*

While the notion of voluntary obligation seems to be a contradiction in terms, it is very much an operational definition of the moral being. Morality is a voluntary or free will choice, but it is also obligatory. It is the understanding that moral beings will choose freely to do their duty of being human. Moral law is within them and they will behave accordingly. That behavior creates human capital. Because morality is the path to meaning and happiness and the by-products of behavior that “feed” goodness in others. The moral person does this simply because they know that both good and evil live in every one of us. However, if you feed the good and starve the evil, human assets and capital will be created. Such people will build thriving lives and communities of beauty, truth, harmony and wealth. These attributes are the hallmark of institutional and social capital.

*Michael Hartoonian is Associate Editor of Pegasus.*





# 2023 Year in Review

## Introduction

The work of the Caux Round Table for Moral Capitalism evolved during the year to respond to evolutionary changes in our world community.

As the world order gave in to forces of fragmentation, the search for human fundamentals – basic needs for well-being and redeeming foundational values and behaviors – the Caux Round Table focused more on vision than on practical business and financial opportunities and constraints. We sought to provide unique “value added” to assist in building out the new thinking necessary for securing the common good on a global basis.

From the first meeting at Mountain House, Caux, of what would become the Caux Round Table for Moral Capitalism, participants responded and adjusted their thinking and recommendations to focus on problems, disagreements, injustices and distempers in our global community. They tried to address problems as persons of goodwill seeking to be responsible stewards. They sought analyses and diagnoses from which action plans could be inferred.

In retrospect, all their work and recommendations, time and again, grew out of an active moral sense, as understood by Aristotle, Mencius the Buddha and Adam Smith. Thus, in 1994, the Caux Round Table Principles for Business came together as a wholesome integration of the Japanese ethic of kyosei – mutual engagement for mutual benefit, the Catholic social teaching of respect for human dignity and a stalwart American dedication to stewardship in enterprise.

I call to your attention to three such contributions:

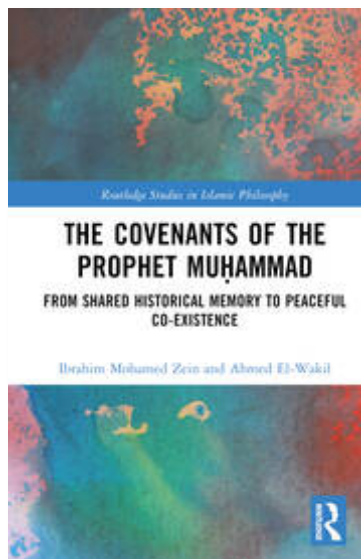
1. The statement of participants at our Global Dialogue as a contribution to a global ethic of responsibility (more below).
2. Our visit to Najaf, Iraq and learning more about the covenants of the Prophet Muhammad to respect other communities and in his formation of the first Islamic political community in Medina. There, we learned from leading Shi'a academics and clerics of their tradition of peaceful co-existence.
3. Articles in our monthly newsletter, *Pegasus*, drawing attention to intangible assets of social capital and human capital, which provide the foundation for a moral capitalism and constitutional democracy (more below).

### **Meeting with Pope Francis**

We presented to Pope Francis a report on our visit to Najaf, Iraq, expressing our appreciation for the teachings of Ali, the fourth caliph.

### **Covenants of the Prophet Muhammad**

Our colleagues Professor Ibrahim Zein and Ahmed El-Wakil of Hamad Bin Khalifa University, College of Islamic Studies, published with Routledge the book, [\*Covenants of the Prophet Muhammad: From Shared Historical Memory to Peaceful Coexistence\*](#).



On October 7, when Hamas attacked Israel and with the subsequent war in Gaza, we realized that our work on the covenants might have promise in application to the relationship between Jews in Israel and Palestinians.

## **Sufficiency Economy Philosophy**

In April, we participated in a “brainstorming” session in Bangkok, Thailand, convened by Thapana Sirivadhanabhakdi, CEO of ThaiBev, to consider, from a global perspective, the constructive wisdom provided by the practice of sufficiency economy, as advised by the late King of Thailand, His Majesty Rama IX. Working from a paradigm given by the Buddha of the “middle way,” His Majesty and others pointed out the constructive effects and reliability in economic endeavors – from small farms to great companies – of acting from reasoned premises with moderation and from a position of resilience to the “slings and arrows of outrageous fortune.”

This Thai approach aligns with while deepening the moral and spiritual foundations of not only “moral capitalism” but of Catholic social teachings on subsidiarity and solidarity and Islamic teachings on the imperative of keeping the *mizan* or “balance.” There are congruences also between the Thai approach and the doctrine of the mean in the Confucian tradition and the Japanese Shinto commitment to having a place within nature and not going against it.

## **Community Policing**

Locally, in Minnesota, we considered how our principles for government could support better community police partnerships in providing safety, with respect for all.

## **Moral Capitalist Initiative**

We started planning an online educational effort to provide certificates in moral capitalism and moral government, with instruction provided by modules on YouTube.

We also took the first steps to create a self-assessment questionnaire on one’s capacity to be a leader. A personality profile revealed by the questionnaire would be provided, along with a handbook on leadership seeking to implement the Caux Round Table’s moral priorities.

## **Initiation of Book Club**

We launched a book club to commence in 2024 to take advantage of Zoom meeting technology and provide more opportunity for our network to discuss and reflect on important presentations of how our world works and why we are where we are.

## **Publications**

Two Caux Round Table commentaries were published, one in *Directors&Boards* on capitalism and its discontents and the other by the Singapore Institute of Directors on reflective thinking.

## **New Board Member**

John Harrington, former commissioner of public safety for the State of Minnesota and former police chief of the City of St. Paul, joined our board.

## **Fellows**

Silvano Maria Cardinal Tomasi, former Thai Foreign Minister Kasit Piromya and Professor Jake Hoskins of the Atkinson School of Business, Willamette University, were appointed fellows of the Caux Round Table.

## **Global Dialogue**

The Global Dialogue was held on July 26 and 27 in Caux, Switzerland. The theme was foundational principles for a new global ethic. About 25 people from around the world attended.

You can read the statement of conclusions [here](#) and the proceedings [here](#).

## ***Pegasus***

During 2023, *Pegasus* focused on what is foundational about our ethical principles as expressed in concepts like civility, civilization, education, wealth creation, open systems, human reasoning, AI and the interrelationship among these motive concepts and moral capitalism. The operative faculty which provides such a foundation for human flourishing is, in our opinion, the “moral sense,” as was proposed by, among others, Aristotle, Mencius, the Buddha, Judeo-Christian scriptures and Adam Smith. The need in this time of discontent, uncertainty and fragmentation is to return to the best fundamentals of the human experiment in living justly.

Some of the more unique articles from this year’s issues included:

- [“What Good Are Manners and the Moral Sense?”](#) by Stephen B. Young
- [“Will the Coming Combination of AI and Oligarchies Produce a New Feudalism?”](#) by Michael Wright
- [“Fratelli Tutti: “The Art of Encounter””](#) by John Dalla Costa
- [“Capitalism and Its Discontents”](#) by Stephen B. Young (*reprinted from Directors&Boards, annual report 2023*)
- [“Selections from Culture Time at BLANCO”](#) by Frank Straub
- [“Just Show Me the Way”](#) by Stephen B. Young

This year's issues of *Pegasus* will address ideas and tensions among our understandings of education/citizen, morality/merit, civilization/state, moral sentiments/self and national interests, fear/love, democratic/authoritarianism options and the increasing global interest and influence of the Caux Round Table principles on future business and governmental decision-making.

## **Dayton Award**

We presented our annual Dayton Award for Distinction in Moral Capitalism to Mary Kowalski and Kris Kowalski Christiansen, respectively the owner and CEO of Kowalski's Markets, for realizing the ideals of stakeholder capitalism and to Kyle Smith, CEO of Reell Precision Manufacturing Corporation.



## **Brandl Program**

The annual Brandl Program, honoring the late John Brandl, former dean of the Humphrey School of Public Affairs, for his uncommon quest for common ground, took place on February 2 at the Humphrey School of Public Affairs on “What Should Be Done with Minnesota’s Historic Budget Surplus?”

## **Zoom and In-person Round Tables**

The in-person and Zoom round tables held during the year included:

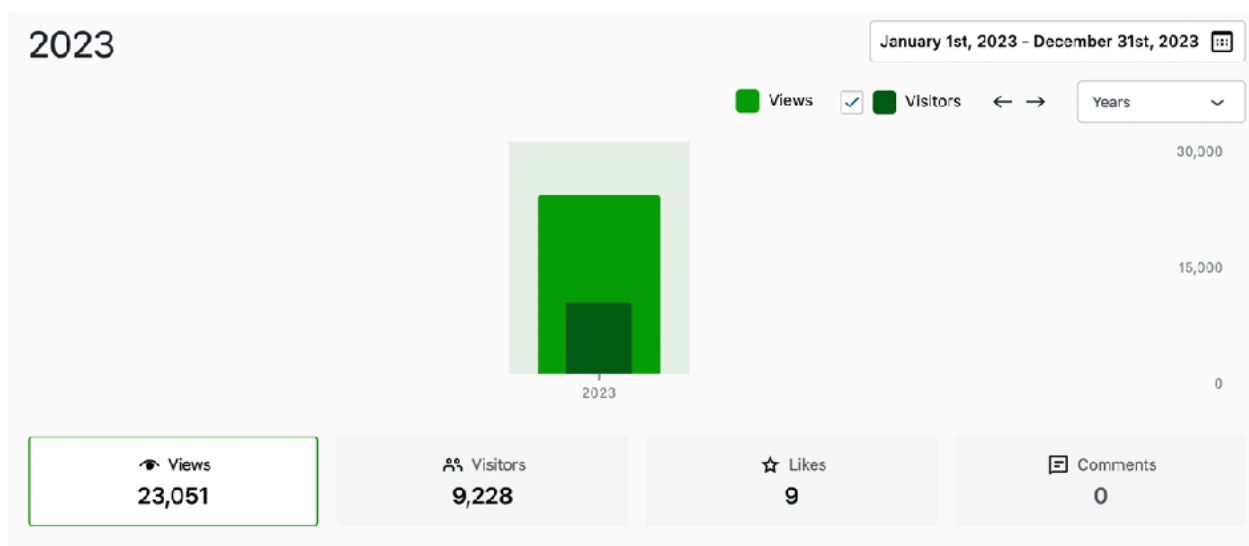
- In-person on “What Should We Do with Minnesota's Historic Budget Surplus?”
- In-person on “Does America Need a Renaissance of Civic Virtue?”
- Zoom on “Is Karl Marx Still Relevant in these Days of Diversity, Equity and Inclusion Seeking to Repeal “Racial” Capitalism?”
- Zoom on “Can We Find Grace in Our Lives?”
- In-person “To Reflect on Who's Right and Who's Wrong: Business in the Crosshairs in Our Culture War”
- In-person on “The Durham Report: How Can We Improve the Integrity and Accountability of Federal Investigations?”
- Zoom on “Expanding the Global Dialogue”
- In-person on “What Has Happened to Us?”
- Zoom on “Moral Perspectives from Bangkok and Tokyo”
- In-person on “Safety in Our Schools”
- Zoom on “What Happened in 2023 and What Does it Mean for the Long Run?”

## Email Notices

We sent to our participants commentaries and notices on the intersection of the Caux Round Table principles and recommendations with events and relevant actions of businesses and governments.

## Website and Social Media

Approximately 9228 people visited our website throughout the year.



We posted regularly to our social media, which included new videos to YouTube and posts on Facebook and Twitter.

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