

I. Journey Map

John G. Taft conducts an adventurous excursion around the current challenges and positive potentials for the financial industries, especially in the United States. He has collected focused contributions from highly-qualified accomplices for the book, *A Force for Good*, 2015. These twenty installments are gathered into eight categories, with a preface and a final summary bringing that total to ten. While most topic areas contain two distinctive commentaries from separate contributors, three of the essays share co-authorship, so the census of implicated individuals reaches twenty-five. The participating writers represent a variety of professional and institutional backgrounds: capital management, government and law, investment advisement, investment management, regulation and compliance, academic research and scholarship, industry associations and strategic consulting. Many individuals have prestigious careers extending across related situations and circumstances. Many have recognizable names from public appearances and news features.

“Welcome to the comprehensive ocean of finance.” (FFG P.3)

The logical structure for this collection of essays may seem unusual, in comparison with any number of other business publications. Although the general topic areas are indicated at the onset, an attempt to surmise an overarching theme emerges in a somewhat peculiar and lighthearted manner in the very last chapter. Separate introductions appear at the beginning of each of the eight sections. John Taft does offer an apologia toward the end, declaring that the progression through this assembly of material should be seen as a journey of discovery, with the investigation rather than the destination making for the meaning and purpose of the endeavor.

A Force for Good -- Eight Sections

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| Social Science: | Reframing Society’s Contract with Finance |
| Responsible Government: | Completing Financial Regulatory Reform |
| Ethical Behavior: | Restoring Trust, Integrity and Client Focus to the Financial System |
| Economic Markets: | Restoring Confidence in Equity Markets |
| Economic Policy: | Achieving Fiscal and Monetary Policy Equilibrium |
| National Imperatives: | Unfinished Business – Retirement Saving and Housing Finance |
| Visionary Finance: | The Transformational Impact of Long-Term Investors |
| Economic Sustainability: | Retooling the Financial System for Sustainability |
| Denouement: | Four Financial Agreements |

II. Chapter Summaries

Part One, Chapter One – Corporate Responsibility in America

Capitalism is seen to be a dynamic operative principle, with corporate entities standing as institutional extensions for combining economic, political, and moral-cultural contingencies. American society has come to regard business corporations as responsible and accountable for various practical dimensions of well-being. Over several centuries, laws and regulations have been consistently brought forward as a means of enacting prevalent, timely and necessary social demands.

The Center for Ethical Business Cultures (CEBC) is an academic adjunct of the University of St. Thomas, at St. Paul, Minnesota. *Corporate Responsibility: The American Experience* was a 2012 publication guided and directed by several persons dedicated to this endeavor: Kenneth Goodpaster, Ron James and David Rodbourne. Since John Taft happens to be a resident of Minneapolis, Minnesota, there would be an implied local connection.

“As with individual moral character, a corporation’s character takes shape by default, when it is not given shape by design. It has become increasingly clear that left unmanaged, the ethical aspects of corporate policy and practice take on a life of their own.” (FFG P. 16)

The discussion is tightly constructed. A conclusion ascertains that external pressures will never encompass all that is morally and meaningfully necessary, so active leadership is needed to provide appropriate awareness in keeping with the highest ethical standards. Triple bottom-line reporting is known to be one type of method for supporting and encouraging comprehensive corporate management behavior.

Part One, Chapter Two – A Better Social Contract for Financial intermediaries

While the first essay proposes a generalized version of authentic business responsibility, this second essay draws upon deeper historical observations. Stewardship, on behalf of the best concerns for other people, has an extremely long-standing ancestry – even going back to the Bible and the Babylonian Code of Hammurabi. The sociologist, Max Weber, determined a close correlation between the advocacy of John Calvin, the emergence of the Protestant ethic, and the origins of capitalism. The writings of the early free market economist, Adam Smith, have been particularly influential as well.

Stephen B. Young has become a recognized authority on moral capitalism, coming from a legal background. He also sponsors a global network of influential executives, with periodic meetings held in Switzerland. Although his activities are broadly international, much of his effort is based in Minnesota.

“Experience has shown that there can be serious misalignment between what society expects from financial intermediation and what the financial sector delivers to society.” (FFG P. 26)

An excessive dependency on quantitative, short-term manipulation of financial trading markets is one source of distortion. Avoidance of true ownership by investment entities constitutes a continuing, pervasive means of misalignment. Excessively speculative trading represents a distraction away from appropriate responsible awareness. A brief set of values and principles is suggested as a code of conduct, for financial leadership at the top.

Part One, Chapter Three – Finance and Good Society

Innovation and experimentation are essential in financial services, as in all contemporary industries worldwide. Yet, change must always be qualified through acknowledgement of broader implications. Questionable behaviors influencing the structure and delivery of financial services are known to have contributed substantially toward the recent occurrence of economic crisis.

This section was adopted from the book, *Finance and the Good Society*, 2012, written by the Nobel Prize recipient, Robert Shiller. Robert Shiller teaches economics at Yale University, and incidentally, John Taft had attended Yale as a student. Both Robert Shiller and John Taft have been participating with the Future of Finance Advisory Council for the Chartered Financial Analyst (CFA) Institute.

“The essential challenge for leaders to contemplate in coming to terms with the future of finance is to understand that it can be used to broaden prosperity across an increasingly wide range of social classes and that its products can be made easier for people to use and can be better integrated into the economy as a whole.” (FFG P. 39)

Financial capitalism can be precisely defined and compared against the industrial capitalism of earlier times. Interconnected and interdependent financial institutions have arisen in all parts of the world. The potential exists to support the greater goals of society.

One curiously pertinent reflection centers on the etymology of the word “finance” and the word “finish.” Finance can be understood to be a manner of reaching a goal rather than an end, in and of itself. Accumulation is distinctly different from purposefulness. Proper final intentions should inform appropriate stewardship of society’s assets, especially in keeping with known, desirable goals and with well-honored, respectful behaviors.

Part Two, Chapter Four – Completing Financial Regulatory Reform

The 2010 Dodd-Frank Act (DFA) was meant to address necessary issues around financial regulatory reform. Several aspects involve efforts to consolidate cross-industry or cross-agency inter-cooperation, efforts to resolve orderly liquidation for specific large financial firms when needed, and efforts to enforce transparency in the trading of complex derivatives through dedicated clearing houses. Although some provisions may improve arrangements for gathering and reviewing relevant information, in many instances the policies have become so complex that enforcement appears to be difficult. Thoughtful oversight may become subordinated under rigidified bureaucratic practices.

“There is a broad consensus that the pervasive use of excess leverage – that is, the use of borrowed money instead of shareholder liquidity – by large financial firms to fund their risky loans and investments was a key driver of the crisis. Yet more than five years after the failure of Lehman Brothers, only incremental progress is being made in strengthening the capital positions of large financial firms.” (FFG. P. 50)

Both Sheila Bair and Ricardo Delfin have been associated with the Systemic Risk Council, which is a private, non-partisan forum concerned with regulatory reform. The Systemic Risk Council, like the Future of Finance Advisory Council, is an extension of the Chartered Financial Analyst (CFA) Institute. Sheila Bair would probably be best known for her previous role with the Federal Deposit Insurance Corporation (FDIC).

Internationally, more might be done to strengthen leverage positions, to discourage insufficient, internally-oriented models for presenting capital adequacy, and to improve regulatory cross-border cooperation. Additionally, the typical handling of valuation for short-term money instruments remains particularly problematic in disguising vulnerability to risk. And in spite of new authorizations for intervention, governmental agencies may not be allocated sufficient resources to perform as expected.

Part Two, Chapter Five – Big Banks Aren’t the Only Problem

New dangers are arising due to the continued prevalence of non-banks performing traditional banking functions. Global shadow banks also remain a growing threat. Specific shadow activities include securities financing, asset securitization, and money market funds. These had represented significant constituents with respect to the last economic crisis. According to an international organization for monitoring regulatory oversight, the Financial Stability Board (FSB), the extent of global shadow financing may presently reach as much as \$71.2 trillion. In the United States alone, shadow firms may comprise 174 percent of the formal U.S. banking system. Certain cautions merit attention, going beyond existing directions and limitations of financial reform.

Karen Shaw Petrou is known as a highly-regarded independent financial policy advisor.

“As noted, Dodd-Frank only slapped the wrists of non-bank banks. It does subject all large retail financial institutions to the not-so-tender mercies of the new Consumer Financial Protection Bureau (CFPB). But Dodd-Frank focuses on banks.” (FFG PP. 57-8)

A better approach could concentrate on function rather than regulation by charter. There are obvious challenges in enabling fundamentally different policies, in view of the established legislative and regulatory practices. The Dodd-Frank Act did set up the Financial Stability Oversight Council (FSOC), with limited authority to offer recommendations regarding the risk potential generally inherent in certain types of activities. Although most individual non-banks are relatively small, when compared against the ten largest U.S. banks, size does not automatically and necessarily correlate with systemic risk.

Part Three, Chapter Six – Restoring Trust

Confidence in the financial industry has been tarnished repeatedly by recent and not-so-recent events.

“Both as firms and as individuals, we need to personify trustworthy values. Great organizations are built from the inside out. We should strengthen and reinforce the key elements of our service culture, including a reexamination of management objectives.” (FFG P. 71)

Douglas Hodge is an executive with the large PIMCO investment advisory firm. He has also been involved with the Securities Industry and Financial Markets Association (SIFMA), where John Taft has been active as well.

Dedication to awareness about each individual investment client, dedication to intensified risk management, and dedication to proper sensibility about responsible stewardship; these represent three necessary precepts. Integrity of the banking system will always require soundness of financial balance sheets, respecting all participants. Integrity of capital markets requires attention toward transparency and disclosure. Safety and sustainability cannot become compromised.

Part Three, Chapter Seven – What It Takes

The long standing history of the Goldman Sachs trading and investment firm is traced with insight and clarity. This section was adopted from a previous book about prominent professional firms. Charles Ellis has an extensive, professional background, including a leadership role with the Chartered Financial Analyst (CFA) Institute.

Goldman Sachs had changed slowly and dramatically through a succession of decades and through a succession of executives. Particular attention is given to the influence of each individual head officer. From a relatively modest beginning dedicated to serving corporate clients, the firm gradually became transformed into an expansive, complex, aggressive, profit-focused, trading monstrosity.

“What insiders saw as a spectacular success – as measured by competitive rankings, profits and payouts to partners – would increasingly be seen by customers, regulators and government leaders – and by the press and the public – as excessive and suspicious.” (FFG P. 75)

Following large regulatory fraud penalties and hostile congressional hearings, Goldman Sachs initiated an intensive internal reexamination. The firm has made a serious commitment to returning to a more balanced organizational excellence.

Part Three, Chapter Eight – The Fiduciary Principle: No Man Can Serve Two Masters

As the concept of the modern corporation has come around, the respective roles of various participants have become increasingly divergent.

It is common now for detached representatives to act in a passive manner or to put self-service ahead of service toward great numbers of small and uninformed investors. Short-term speculation has become an unfortunate tendency, displacing longer-term possibilities. An emphasis on immediate stock price can overshadow the wholesome, intrinsic value of goods and services that a corporation produces.

The steady, unchanging commitment of John Bogle would stand in sharp contrast against the vagaries of a Goldman Sachs. Of course, John Bogle has been an outspoken advocate of individual and institutional responsibility, since he founded the Vanguard Group and established the first mutual index fund, many years ago. He has also written a number of books sharing his opinions and observations, and this selection was adopted from previously published material. Vanguard has now become the largest mutual fund company in the world.

“The agents of investment in America have failed to honor the responsibilities that they owe to their principals – the last-line individuals who commit much of their capital wealth to stock ownership, including mutual fund shareholders and pension beneficiaries. The record is clear that, despite their controlling position, most institutional investors have failed to play an active role in board structure and governance, director elections, executive compensation, stock options, proxy proposals, dividend policy and so on.” (FFG P. 83)

A return to full appreciation for the standards of fiduciary responsibility is of paramount importance. The concept of fiduciary duty has a long history in English common law and in American civil practice especially since the time of the Great Depression. A speech delivered in 1934 by the Supreme Court Justice, Harlan Fiske Stone, still stands as a serious reminder regarding meaningful standards and obligations that society has a right to demand.

Part Three, Chapter Nine – Trust Depends on Authentic Leadership, Stewardship and Governance

A reasonably simple and direct proposal for representing the trustworthiness of a financial advisory entity is well articulated by John B. Trone. The nature of a business ethos can be determined based on careful examination of constituent components: governance, stewardship and leadership.

“Socrates wrote, ‘The more men value money-making, the less they value virtue.’ . . . It was Plato and Aristotle . . . who wrote that you can learn a lot about an organization by studying its *ethos*, which they defined as the distinguishing leadership behaviors, core values and decision-making process of a person, group or institution.” (FFG P. 93)

(Of course, Socrates actually never wrote anything himself, and his words have come down through the ages as recorded by his followers.)

If governance usually depends on rules, a more profound spirit of governance rests on adherence to values and principles. Stewardship implies dedication and fair consideration for the long-term best well-being of others. But it can be difficult to envision authentic stewardship adequately, in and of itself.

Appropriate commitment of leadership is most essential, but leadership is meant in a special way. The best leadership is inspirational, and there are three contributory factors also implying integrity: character, competence and courage. Through attentive inquiry and investigation, it is possible to discern some semblance of real dedication toward governance, stewardship and leadership, with regard to a particular financial advisor or a particular financial firm. The remaining component would be truly well-placed, authentic passion.

Part Four, Chapter Ten – Equity Market Development and Corporate Governance in Emerging Markets

Here the observations by Mary Shapiro are primarily directed toward reiteration of ideals and principles for developing national economies outside of the United States. The positions of the Organization for Economic Co-Operation and Development (OECD), the International Monetary Fund (IMF), and the International Organization of Securities Commissions (IOSCO) are specifically mentioned.

“Before equity markets can flourish, there must exist the basic infrastructure of a banking system and a regime of property and contract law that allows transfer of ownership with certainty and judicial enforcement, provisions for competition and bankruptcy, sensible macroeconomic policies and capable regulation.” (FFG P. 106)

Those who have watched legislative and regulatory affairs in the United States may know about Mary Shapiro as chairperson of the Securities and Exchange Commission (SEC) between 2009 and 2012. She also maintains an involvement with the Chartered Financial Analyst (CFA) Institute. She has served on the CFA Future of Finance Advisory Council, along with John Taft.

Statistics can demonstrate how the vitality of equity markets contributes toward economic growth and well-being. A series of professional and institutional understandings need to be present in-place, and responsibilities must be consistently maintained, in order for markets to flourish. Disclosure, transparency and honest intermediation are essential.

Part Four, Chapter Eleven – Get Real

As intrinsic as Libor may be for the mediation of financial rates worldwide, it is unlikely that the typical consumer or even the typical business person would have an understanding of how Libor is used and implications of its misuse. In this context, this contribution by Roger Martin conveys the tone of a lesson from an academic professor of finance. It should be realized from his background that the scope of his knowledge and interests would reach much further. Roger L. Martin is affiliated with the Rotman School of Management at the University of Toronto. Incidentally, the operating headquarters of the Royal Bank of Canada is also situated in Toronto, so acquaintance with John Taft in relation to RBC may be assumed.

“The nature of financial accounting is that many of the decisions on how to represent financial statements are subjective. When executives seek to manipulate statements, however, they push the boundaries of what would normally be considered acceptable practice.” (FFG P. 119)

At issue is compensation-based behavior, which can overshadow actual performance-based dynamics. A certain common method for correlating executive compensation with stock market share pricing, as an indication of management success, can lead to distortions in a number of ways. Tangible business benefits are not always reflected in share prices, especially longer-term sustainability and growth. Quarterly earnings guidance, as well as the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, can be seen to encourage manipulation of expectations, leading to distraction away from real value and toward exaggerated, artificial share price valuation.

Part Five, Chapter Twelve – The Issue is Debt

The amount of national debt incurred by the government of the United States has burgeoned tremendously. For many decades, the ratio of national debt to GDP has averaged about 35 percent. This has changed since 2008, so the ratio is now 70 percent, and it continues to increase, indicating an increasingly untenable situation.

Both Judd Gregg and John Taft have performed in leadership roles with the Securities Industry and Financial Markets Association (SIFMA). Judd Gregg has also served as a state governor, as a U.S. representative and as a U.S. senator representing the state of New Hampshire. He is well-versed in fiscal policy.

“The cost implication of going from 35 million retirees to 75 million retirees is staggering, especially as it relates to our entitlement based retirement programs. We presently have a \$60 trillion unfunded liability in just three major accounts: Medicare, Medicaid and Social Security.” (FFG P. 129)

Cost containment for health care, improvement of bureaucratic inefficiency, and focused tax reform are all needed to address the known national fiscal challenges. What needs to be done is clear and not complicated. Strong planning and action is necessary now.

Part Five, Chapter Thirteen – Real Time Experiments in Monetary Policy

Incisive and even sober contrarian determinations deserve careful consideration, in view of extraordinary circumstances. The Bank Credit Analyst (BCA) research firm can explain the concept of a cyclical, recurring long-term debt supercycle. There appears to be a repetitive historical macro-tendency for excessive borrowing to reach exorbitant, peak levels every fifty years or so. Intermittent retrenchment and readjustment can occur within the supercycle as well. Statistics show that the amount of private sector debt, across a number of sovereign national boundaries, grew to alarming levels between 2000 and 2009. The Federal Reserve Bank (FED) of the United States resorted to exceptional measures in reaction to extremely challenging conditions. While there have been measured direct results, there are worrisome side effects.

Brian Walsh has navigated a long-term career as an investment advisor and strategist. He is well-positioned to offer an articulate and sensible long-term overview of the implications of economic central bank intervention practices.

“Since 2009, overall wealth in the United States has increased from \$55.8 trillion to \$80.7 trillion, an all-time high. However, much of this increase in wealth has gone to the top 5 percent of the population, thus furthering income inequality. This is not surprising, since the majority of the increase in wealth has come from rising stock prices. A recent study by economists at Ohio State estimates that as of mid-2013, the average U.S. household net worth was still 14 percent below the peak of 2007. So the vast majority of people have not experienced a significant boost in their net worth. As importantly, median household income of \$51,939 was 8 percent lower than 2007.” (FFG P. 139)

It will be necessary for the Federal Reserve Bank to downsize its bloated institutional balance sheet, which rose from \$870 billion in 2008 to \$4.4 trillion in the attempt to counteract dangerous economic effects. The methods and means for normalizing the situation will entail any variety of complex consequences. The continuation of current monetary policies should not be allowed to linger indefinitely.

Part Six, Chapter Fourteen – Addressing America’s Retirement Needs

Barbara Novick was one of the original founders of the BlackRock investment firm, and she represents government relations and public policy on behalf of the company. BlackRock is now the largest asset management firm in the world, with over \$4.7 trillion in assets under management. Both Barbara Novick and John Taft have been active with leadership roles for the Chartered Financial Analyst (CFA) Institute.

“One study estimated that gap – the difference between what people have saved and what they need for retirement – at \$6.6 trillion. Despite the deficit, less than 60 percent of workers are saving for retirement. More troubling, 57 percent of those surveyed have less than \$25,000 in savings and investments. And some 28 percent have less than \$1,000.” (FFG P. 151)

It is common knowledge that age-related demographics in the United States are shifting, and that retirement preparation for many people will be inadequate. Three components of a comprehensive retirement program include Social Security, employer-sponsored plans and personal savings. Each of these areas can be examined further. The history and the limitations of the governmental Social Security program are delineated. Defined-benefit pension plans need to be distinguished against defined-contribution retirement plans, since the risk factors are substantially different. The challenge of adequate personal savings is partially alleviated through an Individual Retirement Account (IRA) or a Keogh Plan specifically suitable for small business owners.

Part Six, Chapter Fifteen – To Guarantee or Not to Guarantee

Unwise institutional permissiveness and carelessness lead to exacerbated and unreasonable risk, in household mortgage financing, especially prior to the economic collapse of 2008-2009. The anatomy of the failure can be illustrated with a few dramatic visual graphs and well-focused statistical figures. The governmental Ginnie Mae and the quasi-governmental Fannie-Mae and Freddie Mac agencies had historically provided a stable means for managing trillions of dollars for residential mortgages. But during the years between 2000 and 2008, a proliferation of otherwise separately funded, investment alternatives expanded dangerously –to exceed the dominance of the government-related agencies. One critical element of the provisioning model has been the nature of the governmental guarantee by the United States for backing secondary investment in consolidated collections of individual mortgage-backed obligations. Banks, sovereign investment entities, and institutional investors have been willing to hold large amounts of mortgage-backed securities because of the government guarantee.

“In the aftermath of the financial crisis, the residential mortgage-backed securities market looks like this: the government now touches 9 out of 10 new mortgages, with monthly government Agency origination of mortgage debt running around \$100 billion to \$150 billion. There is no infrastructure in place for a non-government –guaranteed securitization market that can replace this origination capacity.” (FFG P. 173)

Jeremy Diamond would have been deeply aware of the dynamics of the mortgage-backed securities market, through his position as an executive with a substantial intermediary financial firm, Annaly Capital Management.

There have been a number of policy recommendations coming from the United States Senate, the United States House, and from the Treasury Department. Up to this point, none of the potential proposals have received decisive action. In part, this may be due to the zero interest rate environment separately maintained by the policies of the Federal Reserve Bank. Perhaps the best approaches would combine some kind of guarantee and insurance –behind a layer of private capital with private risk exposure. Meanwhile there have also been a number of improvements to the controls surrounding the various aspects of the mortgage origination, execution, underwriting and servicing processes.

Part Seven, Chapter Sixteen – The Dawn of Fiduciary Capitalism

Looking beyond the nearly catastrophic disruption of global financial markets within the past ten years, imbedded tendencies continue to overlook auxiliary impacts of pollution and resource depreciation. Current investment practices often emphasize short-term expediencies, without regard for undesirable side effects and unwanted contingencies. Greater attention toward the potential and promise of large-scale fiduciary capitalism may alleviate some of the most negative conditions, obviously reflected through recent circumstances.

Both John Rogers and John Taft have previously been actively involved with the Chartered Financial Analyst (CFA) Institute.

While the personal credentials of John Rogers include academic degrees in history and East Asian studies from Yale and Stanford, he is presently pursuing a different advanced degree also in clinical mental health counseling in Atlanta.

Extremely large global institutional investment entities have continued to grow in size and power. These include pension and retirement funds, foundations and endowments, and national governmental capital funds. The motivations of these investment entities must necessitate an awareness of social and environmental obligations, as well as an emphasis on long distant time horizons.

“To frame up the size of these investors, the top 1,000 fiduciary capitalists account for \$25 trillion in assets. With these funds, they could own more than half of the world listed companies. A 1 percent portfolio allocation for just these top 1,000, or a sum of \$250 billion, would buy almost all of Microsoft. (FFG P. 197)

The stature of the largest super-fiduciaries should imply a beneficial influence. More needs to be done to encourage fully responsible acceptance at such levels. Considerations around secrecy and disclosure, active corporate governance, and measurable benchmarking standards represent existing directions for clarification and attention.

Part Seven, Chapter Seventeen – Focusing Capital on the Long Term

This section offers an adaptation of an article appearing previously in *Harvard Business Review*. Both Dominic Barton and Mark Wiseman are eminently well-situated to understand global dimensions of large-scale institutional investment. A formal, Focusing Capital on the Long Term (FCLT) initiative was inaugurated in 2013.

“The world’s largest asset owners include pension funds, insurance firms, sovereign wealth funds and mutual funds (which collect individual investors’ money directly through products like 401(k) plans). They invest on behalf of long-term savers, taxpayers and investors. In many ways, their fiduciary responsibilities to their clients stretch over generations. Today they own 73 percent of the top 1,000 companies in the United States, versus 47 percent in 1973.” (FFG P.217)

Four areas of attention are emphasized. First, decisions should be formulated strategically, in view of long-term objectives and careful consideration of tolerance for risk. Second, institutional investors should become involved with formal governance activities for those assets held within investment portfolios. Third, specific metrics should be devised and integrated in keeping with long-term business performance and health. Fourth, appropriate appreciation for comprehensive governance should also motivate the strategy and behavior of substantial asset owning entities, with respect to clearly defined ideals and principles.

Those with recognized long-term commitment can exercise initiative and meaningful leadership.

Part Eight, Chapter Eighteen – Sustainable Capitalism

An imperative must be generally accepted for including Environmental, Social and Governance (ESG) dimensions as part of a vigorous decision-making process, along with long-term value and fully informed analysis, in approaching the investment marketplace.

“The challenges facing the planet today are unprecedented and extraordinary: climate change, water scarcity, poverty, disease, growing inequality of income and wealth, demographic shifts, transborder and internal migration, urbanization, and a global economy in a state of constant dramatic volatility and flux, to name but a few. While government and civil society will need to be part of the solution to these massive changes, ultimately it will be companies and investors that will mobilize the capital needed to overcome them.” (FFG P. 231)

Five specific recommendations are highlighted. One, investment assets can risk becoming stranded assets, whenever certain disruptive factors generate conditions of undesirability or obsolescence. Two, reporting can include traditional financial information and also relevant ESG information in view of long-term value creation. Three, regular earnings guidance should not encourage short-sightedness. Four, compensation practices should be reconsidered, with respect to long-term value. Five, short-term investing should be balanced against more genuine real value recognition and patient capital utilization. Degrees of inclusiveness and responsiveness can be positioned along an extended spectrum of value.

David Bloom has been working in partnership with former U.S. Vice President Al Gore, to show the positive benefits of authentic, sustainable investing in-practice. The Generation Investment Management firm has previously published a white paper in 2012, covering these issues.

Part Eight, Chapter Nineteen – Real Investment in the Anthropocene

The concept of the Anthropocene suggests an emerging biological era, encompassing the entire planet Earth, characterized by the ultimate impact of human activity. The Capital Institute is a non-profit organization dedicated to fostering awareness of financial and economic possibilities in view of a total, holistic, global ecosystem. The institute was founded in 2010 by John Fullerton.

There are many touchpoints: recognizing natural ecological concerns, emphasizing real investment over financial investment, going beyond an Environmental, Social, Governance (ESG) framework, and achieving fully sustainable and regenerative economic aspirations.

“However, if we can peer beyond the wreckage, we may glimpse a silver lining: the lingering economic crisis has moved even mainstream economists to question as never before the very foundations of our finance-driven economic system, *the theories that determine what we can observe* and through which we interpret events and structure policy responses. The time is ripe for exploration of a fully integrated approach to grappling with the systemic challenges of our era.” (FFG P. 244)

In proposing a way forward, three inter-associated dimensions must be appreciated. Commercial pricing practices must convey full social and environmental costs. Enlightened governmental and institutional organizations can demonstrate understanding and agreement in keeping with fully comprehensive inclusion. Public policy adjustments are absolutely essential, even at a local, regional and global scale. The need is upon us all now to acknowledge the sweeping challenges.

Part Nine, Chapter Twenty – The Finance Agreements

As a means of offering a few closing remarks, Vikram Mansharamani contributes a series of humorously-drawn impressions, loosely based on an extravagantly popular, best-selling book on personal self-improvement, *The Four Agreements*. (Not having ever read this book for myself, it is not my intention to confirm any alignment with what don Miguel Ruiz would be meaning to convey for his own broadly diverse, appreciative audience.) The impression remains that the thematic aura emerging around these final observations seems to emphasize desirable personal motivation, apart from organizational or institutional understanding.

“If financiers found personal fulfillment in the nature of their work and approached it with an honesty and pride corresponding to such satisfaction, the industry would be impeccable. If financiers focused on the meaningfulness of their work and the impact they were having on the world, then our second agreement about prioritizing client interests would naturally follow. If financiers thought about satisfaction in their career and accepted the quiet nobility earning a great living helping others, then transparency and conflict disclosure would not seem as grave a threat to profitability and compensation. And finally, if financiers were upholding these first three agreements, they might be more likely to focus on client objectives rather than their own.” (FFG P. 269)

Vikram Mansharamani acts as a consultant and advisor on institutional financial affairs, and he regularly instructs undergraduate classes about finance at Yale University.

A Suggested Variation – Respecting the Four Traditional Cardinal Virtues –

1. Exercise (wisdom and prudence) to be impeccable with your words.
 2. Exercise (just and rightful intention) to know not to take anything personally.
 3. Exercise (carefulness and courage) to know to not make assumptions.
 4. Exercise (consideration and temperament) to do your best always.
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III. Another Aegis

In anticipation of furthering yet more clarity about mission and direction, another aegis – another meaningful frame of reference – might be found to be beneficial. With respect to long-standing historical acceptance, an appreciation for the traditional four cardinal virtues should be freshly re-considered as well. But this is not as direct and simple as it may seem, because commonly held, modern notions have drifted rather far away from earlier, classical understandings. It will be necessary to dismiss preconceived beliefs about prudence, justice, fortitude and temperance in order to best encourage a potentially shared sensibility about centeredness and open awareness.

One source of inspiration may be found in the work of Josef Pieper, who was already an accomplished young author in Germany during the earlier part of the Twentieth Century, before his works were condemned and confiscated by the Nazi Regime. Stationed with the military during World War II, he returned to writing and teaching as a professor at a German University after the defeat of the Third Reich and the restoration of peace. His explanations about *The Four Cardinal Virtues* appeared in English over fifty years ago. His experience would enforce a depth of commitment and conviction. These concerns would precede and pre-configure the more current trends in Virtue Ethics and Positive Psychology. (*The Four Cardinal Virtues (4V)* is apparently now in the public domain, and the full text is freely and openly available through archival Internet sources.)

Prudence:

Trueness-to-being of memory, open-mindedness, clear-sighted objectivity in unexpected circumstances: these are qualities of mind of the prudent man. (4V P. 17)

The meaning of the virtue of prudence, however, is primarily this: that not only the end of human action but also the means for its realization shall be in keeping with the truth of real things. This in turn necessitates that the egocentric "interests" of man be silenced in order that he may perceive the truth of real things, and so that reality itself may guide him to the proper means for realizing his goal. (4V P. 20)

Justice:

To be just means to recognize the other as other; it means to give acknowledgment even where one cannot love. Justice says: That is another person, who is other than I, and who nevertheless has his own peculiar due. A just man is just, therefore, because he sanctions another person in his very separateness and helps him to receive his due. (4V PP. 54-5)

Wherever justice in the full sense is done, the external act is an expression of an inner assent: the other is acknowledged and confirmed in what is due to him. But what is due to him cannot be decided from the subjective, inner disposition of the one bound by the obligation. What is due to a person, what is an obligation, can and must be ascertained objectively. (4V P. 63)

Fortitude:

Fortitude presupposes vulnerability; without vulnerability there is no possibility of fortitude. . . . To be brave actually means to be able to suffer injury. Because man is by nature vulnerable, he can be brave. (4V P. 117)

Pericles, in the lofty words of his speech for the fallen heroes, expressed . . . "For this too is our way: to dare most liberally where we have reflected best. With others, only ignorance begets fortitude; and reflection but begets hesitation." – Pericles, as cited by Thucydides, Peloponnesian War, Book II – (4V P. 124)

To be brave is not the same as to have no fear. Indeed, fortitude actually rules out a certain kind of fearlessness, namely the sort of fearlessness that is based upon a false appraisal and evaluation of reality. (4V P. 126)

Temperance:

It is a commonplace though nonetheless mysterious truth that man's inner order – unlike that of the crystal, the flower, or the animal – is not a simply given and self-evident reality, but rather that the same forces from which human existence derives its being can upset that inner order to the point of destroying the spiritual and moral person. . . . It is always the decisive center of the whole, indivisible person by which the inner order is upheld or upset. (4V PP. 148-9)

An additionally relevant realization may be formed in keeping with a traditional progression or succession of the virtue principles.

Prudence gives their inner form to all the other cardinal virtues: justice, fortitude, and temperance. But these three are not equally dependent upon prudence. Fortitude is less directly informed by prudence than justice; justice is the first word of prudence, fortitude the second; prudence informs fortitude, as it were, through justice. Justice is based solely upon the recognition of reality achieved by prudence; fortitude, however, is based upon prudence and justice together. (4V P. 124)

Prudence looks to all existent reality; justice to the fellow man; the man of fortitude relinquishes, in self-forgetfulness, his own possessions and his life. Temperance, on the other hand, aims at each man himself. Temperance implies that man should look to himself and his condition, that his vision and his will should be focused on himself. (4V P. 147)

These qualities or qualifications have long been known to be mutually inter-associated, inter-connected, and inter-dependent.

IV: Twelve Discerned Themes

- * A comprehensive social awareness must accompany authentic leadership.
- * Overemphasis on short-term expediency is a distraction away from better long-term endurance and regeneration.
- * Substantial equity investment in a corporate business organization should imply active participation in decision and direction.
- * Excessive financial speculation should be vigorously avoided and discouraged.
- * Reliable and predictable public financial interactions must also depend on an encompassing appreciation for societal well-being and interdependency.
- * Governmental reactions following after the recent financial crisis have not yet fully confronted less formalized aspects of the financial marketplace. In some respects, rulemaking will always be insufficient without dedication to shared principles.
- * A sentiment for fiduciary duty and an acceptance of stewardship are essential realizations for restoring integrity and trust – where the best possible arrangements on behalf of clients and customers must have first priority.
- * All of the various participants along a full spectrum of involvement with financial transactions and financial holdings must conduct business arrangements with openness and clarity.
- * Specific prevalent practices, such as periodic frequent earnings announcement, have contributed toward a distortion leading away from purpose and vision.
- * Established governmental entitlement programs, mortgage financing programs, and retirement programs will increasingly require urgent attention and readjustment.
- * Exceptional fiscal and monetary interventions by central banks have borne undesirable side-effects, and an imperative to restore normalcy is needed.
- * Extremely large and influential institutional entities are in a position to have a positive and powerful impact. Broad and thorough consequences of financial decisions must be fully considered.

John Roth
Los Angeles
July 9, 2016

V. Proposed Aggregation of Twelve Themes

Prudence:

- * A comprehensive social awareness must accompany authentic leadership.
- * Substantial equity investment in a corporate business organization should imply active participation in decision and direction.
- * Extremely large and influential institutional entities are in a position to have a positive and powerful impact. Broad and thorough consequences of financial decisions must be fully considered.

Justice:

- * Reliable and predictable public financial interactions must also depend on an encompassing appreciation for societal well-being and interdependency.
- * A sentiment for fiduciary duty and an acceptance of stewardship are essential realizations for restoring integrity and trust – where the best possible arrangements on behalf of clients and customers must have first priority.
- * All of the various participants along a full spectrum of involvement with financial transactions and financial holdings must conduct business arrangements openness and clarity.

Fortitude:

- * Governmental reactions following after the recent financial crisis have not yet fully confronted less formalized aspects of the financial marketplace. In some respects, rulemaking will always be insufficient without dedication to shared principles.
- * Established governmental entitlement programs, mortgage financing programs, and retirement programs will increasingly require urgent attention and readjustment.
- * Exceptional fiscal and monetary interventions by central banks have borne undesirable side-effects, and an imperative to restore normalcy is needed.

Temperance:

- * Excessive financial speculation should be vigorously avoided and discouraged.
- * Specific prevalent practices, such as periodic frequent earnings announcement, have contributed toward a distortion leading away from purpose and vision.
- * Overemphasis on short-term expediency is a distraction away from better long-term endurance and regeneration.

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