

Problem:

Anyone in the business community is probably familiar with the claim that open markets will find their own best balance through the operation of an “invisible hand.” Economic supply and demand tend to find a natural equilibrium, free from intervention and constraint.

The concept of the “invisible hand” was first proposed by the economist, Adam Smith, in *The Wealth of Nations* in the eighteenth century. It is not commonly remembered, however, that the same Adam Smith published another book on *A Theory of Moral Sentiments*. Here he expounded the belief that a strong social acceptance of traditional virtues was a condition for providing the atmosphere of mutual trust necessary for the conduct of commercial enterprise. If that belief has been disregarded, a particularly emphatic quotation comes from the congressional testimony of the former Federal Reserve Chairman, Alan Greenspan, in October of 2008: “Those of us who have looked to the self-interest of lending institutions to protect shareholder’s equity . . . are in a state of shocked disbelief,” he said. This failure of self-interest to provide self-regulation was, he said, ‘a flaw in the model that I perceived as the critical functioning structure that defines how the world works.’”

It may be concluded that a broad deterioration in society’s traditional ethical standards contributed substantially to current severe economic problems, yet a true means to retrieve recognition of proper virtues and ethics has yet to come into focus.

Hyperlink: John Bogle – Enough (period) – 2010

Dominic Barton has previously raised similar issues on Management Innovation eXchange in relation to the Long-Term Capitalism Challenge in 2012. **1) Believe in your power to make markets efficient — but abandon the efficient market dogma. 2) Believe in the real game — long-term value creation — and stop acting as if you are meeting your highest calling if you simply play by the rules.** Action must become extended beyond belief.

Hyperlink: Dominic Barton – The Power of Beliefs to Move Markets and Mindsets –2012

Solution:

Personal and institutional values can be responsibly restated and kept refreshed, with respect to well-know and time-honored understandings – unfortunately eclipsed with normative patterns and behaviors.

Hyperlink: John G. Taft – A Force for Good – 2015

Practical Impact:

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.

Challenges:

Is it useful to try to move away from seemingly proprietary and individually asserted frameworks and conceptual structures, and to move toward more universal or open ways of confronting these kinds of challenges?

Attitudes and beliefs and mindsets become implicated, so how can matters be addressed on this necessary level?

Are there specific firms or forums or individuals -- outside from academic centers -- that are successfully working on building and promoting practical solutions along these directions? (Are they approachable?)

What are the best things that could happen next, in pursuing better awareness about comprehensive long-term visions and solutions, in ways that really matter and can really make a difference?

First Steps:

One standing 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 experience would enforce a depth of commitment and conviction. And, his explanations about *The Four Cardinal Virtues* appeared in English over fifty years ago. These concerns would precede and pre-configure the more current trends in Virtue Ethics and Positive Psychology.

Prudence: 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)

Fortitude: 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)

Temperance: It is always the decisive center of the whole, indivisible person by which the inner order is upheld or upset. (4V PP. 148-9)

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.

Credits/Materials:

Notes on John Bogle: *Enough (period)*

Notes on John Taft: *A Force for Good*

Hyperlink to John G. Taft

Hyperlink to Joseph Pieper: *Four Virtues*

Dominic Barton also contributed a section for *A Force for Good*.

Summary:

Repeated instances of corporate and institutional neglect should evoke better attentiveness toward a reconsideration of authentic responsibility. With respect to long-standing historical acceptance, an appreciation for the traditional four cardinal virtues should be freshly reconsidered as well. But this is not as direct and simple as it may seem.

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