

Remarks at the IESE Alumni US Chapter-Event in New York
The University Club, One West 54th Street, New York, NY
July 16, 2008

Re: *Rethinking Business Management: Examining the Foundations of Business Education* (Princeton: The Witherspoon Institute, 2008)
<http://www.rethinkingbusinessmanagement.com/>

Thank you, Dr. Cavallé. Professor Kevin Jackson and I spoke yesterday, and we were a little worried that you would toss us a couple cloaks and ask us to re-enact the cover of the book! I think there will be some difference in our remarks this evening, but whether one of us is more Platonist and the other more Aristotelian, I'll leave for the audience to judge.

I'm a professor of political science, a student of political philosophy, not a professor of business, so I pretend to no expertise on business or how to teach it. But I am interested in the question of foundations and in questions of ethics – and I was intrigued when Luis Tellez first mentioned this topic a couple years ago, not least as any citizen might be who sensed a smoldering crisis of ethics and business. Of course as we gather today such concerns might seem to take a back seat to the current economic woes, but I'm not sure they are altogether unrelated: doubts about the goodness of market society probably weaken business confidence, and they certainly influence political responses to business crises.

Ordinarily, it seems to me, when the question of scandal in business is raised, the responses are of two sorts, which, following a famous political tract published here in New York a few years back (well, actually about 220 years) – *The Federalist Papers*, particularly *Federalist* #10 – I would sort into two groups: (1) those that would remove the causes, and (2) those that would control the effects.

Of the first, I would say the same as James Madison: the remedy is worse than the disease. To attack corruption in the free market by suppressing its freedom is, to use Madison's metaphor, like fighting fire by removing air: It works, but afterwards you can't breathe. It bears repeating – for it seems already to be forgotten – that the grand political enterprises of the twentieth century designed to expunge the corruption of market society themselves introduced corruption and viciousness on a scale unknown in human history. Like Madison's seeds of faction, the seeds of ethical trouble are sown in the nature of man, and to attack that is no route to human happiness.

What, then, of controlling effects? This, I take it, is the usual response to ethical scandals: to develop new schemes of regulation, new modes of accounting and reporting, disclosing and reviewing, to penalize violations and incentivize good behavior. The problem is that, while criminalization is apposite for the most egregious offenses – even the freest market needs punishment of theft and fraud, and enforcement of contracts – regulation imposes costs on doing business, directly in terms of the cost of compliance and indirectly in terms of opportunities lost and creativity squelched. Moreover, ethics regulations notoriously fail to reach the ethical place they seek. To the unethical, they just restructure incentives, and often in such a way that only the dull feel constrained.

What *Rethinking Business Management* aims to do is to seek a third way – if I can risk that term – between the foolish and ultimately bloody project of repressing self-interest and the often futile one of merely complicating its calculations. The focus of our authors is instead on the formation of the human person, on ethics understood in terms of character rather than in terms of rules, and on success and wealth understood not merely in terms of money but of the happiness which is the end that money itself is meant to serve. First, our authors look at what economic activity actually involves, not just its “bottom line” or reduction to monetary profit, but the full range of production and action; they look at different activities and what makes them distinctive. Manufacturing, learning, trade, even governance all have their own structures of value which make sense only in the context of a richly differentiated account of human goods. Second, our authors look at the ends business managers seek in their own lives, and how these govern, or ought to govern, the way they structure work, both for themselves and for others. In all of this, the

philosopher Aristotle appears again and again, not because he master-minded modern markets – he did no such thing – but because in his *Ethics* he gives a description of the habits of character and the faculties of choice that distinguish the ethical human being in ways that still ring true across the ages.

Let me leave you with two thoughts, one theoretical, one practical. The theoretical thought I introduce playfully as the Platonic question: Plato's on the cover of the book, but most of our authors shy away from the question of the political regime or republic. Can we formulate a general principle or perhaps a constitutional enumeration that distinguishes economic and political spheres and sorts out the role of the ethical in relation to these? The practical question concerns what sort of regulatory regimes we can expect to see in the coming months and especially in the presidential campaign and the aftermath of the election. I don't have specific predictions, but I do think that when markets experience a downturn, it becomes especially difficult but also especially important for their friends to make the case in their favor. In proposing a path to restore the ethical character of business without undoing the achievements of genuinely global reach through the return of free markets, I hope *Rethinking Business Management* can play a valuable role.

James R. Stoner, Jr.