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HISTORY > Adam Smith: Poster Boy For Greed

Adam Smith who is undeniably the father, the godfather, the George Washington of capitalism has been expropriated as the poster boy for greed. Because Smith who believed very much in the efficacy and the efficiency of the invisible hand also wrote as a moral philosopher about the obligation and need for business to also extend a helping hand.

So there we are at the birth place of the system that created the modern corporation and its architect and principal author saying at the outset that there has to be a moral dimension to markets. And there has to be a moral obligation and engagement by the firm. And I think it's inappropriate and bemusing that he's so often invoked by Friedman and others as the papal invocation for corporations not engaging in public issues. Not engaging in corporate philanthropy. And pooh-poohing generally the notion of civic engagement by the private corporation.

I think not only is that inappropriate for the modern corporation in the context of a global society but if we go back and actually read Adam Smith we see that the author, the father, the brilliant mind who conceived this system which is now really our new global theology, in fact was a moralist himself.

CAPITALISM > Need A Moral Manifesto

Capitalism is undeniably amoral. But it has emerged as our new global theology. So we have a global theology without morality. Without a bible.

It only offers a transaction manual for wealth creation and the efficient allocation of capital. And it does that superbly well. No one should question, in my opinion, the benefits of capitalism. And I think it's one reason why capitalism beat all the other isms hands down. It wasn't even close at the end of the day. It took on communism, fascism, totalitarianism, socialism. Beat them all hands down.

Curiously capitalism which is a system that's derived and driven by competition has no competition of its own today. That's a very dangerous place for any successful ism or corporation or university to find itself.

... And I think if you look at a balanced global scorecard of where we find ourselves. It's undeniable that capitalism has created enormous wealth. Twenty-two million new jobs in the United States alone over the last ten years. Seven million millionaires, 590,000 thousand penta-millionaires, 250,000 deca-millionaires and 300 billionaires alone in the United States.

Three trillion dollars worth of wealth creation over the last, each of the last three years in the United States alone. And fifty percent of all us in the United States own stocks and participate through our 401K's in the miracles of the market. Again I think it's capitalism's self interest. It's in the self interest of the corporation to use this unprecedented prosperity and not to binge at the Ritz.

... I'm a reformer not a revolutionary. Although what I think capitalism needs is a new manifesto. Now Marx 150 years ago, as that corporation was being launched, offered a devastatingly brilliant analysis and critique of capitalism. And the premise of communism I think and the communist theory is still relevant and worth thinking about today. And he predicted that capitalists would ultimately hang themselves on their own excesses. And I'm not sure that we might not yet do that.

I think what we need today is the moral equivalent of a manifesto for capitalism. What was so seductive about Marx and the theory of communism was not only its penetrating analysis and its scientific underpinning. But the fact that it was a moral treatise. And absent morality, I don't know how we sustain a global cohesion if the unchecked, unbridled savage aspects of capitalism - to quote Solzhenitsyn - become ever more triumphant.

... If we were to ever now recalibrate capitalism and help to take it to its next stage. Operating alongside of a more responsible and accountable set of governmental interventions. And in partnerships, public, private, NGO. I think capitalism can yet save itself from itself. And refuel its profits. Create many more customers and opportunities.

This is a very conservative argument at the end of the day because what I'm proposing is that capitalism engage in practices that expand the pie. And by creating hundreds of millions of potential new users and participants in the new capitalism eager and able to purchase goods and services from successful corporations. It's ultimately in the long term self interest of those corporations to actually promote social justice and social progress.

In most corporate boardrooms, and I've been in many, used to be an executive vice president of a major international bank. This would be considered an anathema even heresy. I believe that it's not only an appropriate part of the conversation but one that's absolutely indispensable.

SOCIAL RESPONSIBILITY > Principled Companies

The market will demand over time the emergence of principled companies.

And these companies will not be long on rhetoric alone. They won't just have fancy PR and advertising slogans. They won't necessarily even wear their morality on their sleeve. But what they will do is bake principle and purpose into the very DNA of the firm and how they operate. Their core business competencies.

And I think they will begin first and foremost with a recognition that purpose not just profitability is the basic. Orientation of the firm that's the reason for being. So the first principle is purpose beyond and consistent with profits. The second is partnering with stakeholders. The third is promoting democracy and opportunity around the world. Fourth is embracing and harnessing and practicing environmentally sustainable capitalism.

And the fifth principle is to drive this through the firm so that the principled company is performance driven. That these are measurable, quantifiable metrics of corporate performance. So that they're taken seriously as seriously as measures of customer satisfaction or quality improvement. I don't think we're there by a long shot.

STRATEGIES FOR CHANGE > It's Up To Consumers And Employees

What we need is not more intrusive government, we need more demanding consumers. And employees who develop a market like mechanism which weeds out and differentiates the good guys from the poor performers. And part of what I'm calling for is the principle for a more principled consumer. And a more principled and demanding employee. So that a market develops that rewards best practice. And that begins to weed out the ethical violators from the ethical pioneers.

So I think that's, and that's something that even we capitalists can understand. It's so simple. It's driven by markets. And what we have the luxury of forming for the first time in the history of civilization because of the ubiquity of the Internet. The availability of information and the surplus of commodity goods and services. We have now the ability to choose.

The customer and the consumer and the employee are the kings and the queens of the new capitalism. And we have to start exercising our authority and opportunity responsibly.