

Leadership through the Classics

Learning Management and Leadership from Ancient East and West Philosophy

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Chapter 2

Plato, Business and Moral Leadership

Wesley Cragg

Abstract This paper looks to Plato for guidance on business and business leadership in the twenty-first century. It focuses on three themes. The first is the concept of “the market” as an agora, a meeting place where economic, political and social themes, activities and values intersect and are engaged. The second theme revolves around the concept of a “social contract” that dominates Plato’s account in the *Crito* of the life, mission and responsibilities of Socrates faced with responding to a death penalty imposed at the conclusion of a judicial process in which Socrates was on trial for corrupting the youth. The focus of the final theme is Plato’s attempt in *The Republic* to understand the proper relationship between and among what he defines as the three functions essential to any organized human society, functions that today we would identify as government or political leadership, the generation of economic wealth and the task of protecting the state from attack by external military forces, where the goal is the creation of a just and harmonious society. The paper concludes that Plato provides indirect but persuasive reasons for the view that business and the generation of material wealth must be harmoniously interwoven with the social and political dimensions of society and government if a just society is to be realized. What Plato’s insights suggest is that to abstract economic markets from the wider sphere of human activity is bound to result in a misleading account of the nature of business and economic activity more generally, and, if put into practice, is likely to result in social conflict and social and political degeneration.

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2.1 Introduction

To many, the thought that we might turn to Plato for guidance in ordering economic relationships in the complex economic environment of the twenty-first century may well feel fanciful if not positively misguided. However, for reasons whose outlines I propose to set out very briefly, I shall argue that there is much to be learned from Plato and the dialogues that are the vehicles of his thought.

For the purpose of this presentation, I have decided to focus on three themes: the role of the market in Athenian life; the suggestion that human beings and the institutions and activities that structure human activity are woven together by a social contract; and the suggestion that justice requires a harmonious integration of the key elements of individual character and social organization. The first of these themes lays the foundations for what can be seen in Plato's writing as a developing and increasingly probing analysis of the responsibilities and relationships required to create a just society. For Athenians, the market was a public space, a meeting place, an agora where the business of a complex, economically successful democracy was conducted. In the *Crito*, Plato creates a dialogue in which Socrates is pressed to understand and construct a model for understanding the obligations and responsibilities resulting from both the fact that he is an Athenian citizen and the fact that he has benefited from his Athenian citizenship and actively participated in the life of the Athens. Finally, in the *Republic*, Plato seeks to provide an account of structural relationships between and among the core elements of any society if justice is to be achieved and a just society created.

What is intriguing is that two key elements in Plato's thought, "the market" and the concept of "social contract", have emerged as central organizing concepts in contemporary economics and management on the one hand, and ethical reflection on the obligations of business and business leaders on the other. A primary purpose of what follows is to explore what might be learned by comparing and contrasting contemporary accounts with those emerging from Plato's treatment of those themes particularly in the *Crito* and *The Republic*. As we shall discover, Plato's views can be seen to contrast sharply with currently dominant understandings of economic, social and political role of business in a democratic society. The currently dominant view of the role of business in society sees the "the market" as a space best reserved for economic and business interests and activities and the generation of material wealth and best insulated and protected from social and political interests and activities that have their place but not in "the market". On this view, markets should be left to the guidance of Adam Smith's invisible hand not the jaundiced eyes of politicians and social activists whose legitimacy must be established and expressed in other ways.

2.2 Theme One: Markets and the Athenian Agora

The concept of "a market" or markets is a fascinating one that has evolved and changed in significant ways over the centuries. Today, it is a central concept around which economic theory and contemporary explorations of business ethics and moral leadership revolve.

For Athenians, the market was a place to do business in the widest possible sense. It was place in which to buy and sell, plan business ventures, and negotiate business deals. But the market was much more than this. It was a forum for political dialogue, both formal and informal. It was a place where the business of government was discussed and transacted. It was a gathering place for political debate. Many of Socrates interrogations of public figures took place there. The public nature of those interrogations and criticisms and their impact on bystanders and participants was one of the factors leading to his public trial and subsequent execution.

The public market was also a social gathering place where friends met to pass the time, share news about friends and acquaintances and keep up to date on the events of the day.

Finally, it was a forum for the exchange of ideas and for philosophical reflection. It was a class room where teachers, the Sophists for example, attracted and instructed their students. And it was there that Socrates engaged politicians and friends alike in debate on what was to him the fundamental issue of the day, namely the nature and pursuit of justice and the relation of justice to the other virtues. Of course, it was not the only place in which serious ideas were entertained and discussed. However, it was an important arena, one which ensured that business was conducted and public policy debated under conditions of relative transparency and public scrutiny.

The idea that business could be thought of apart from the political, social and religious dimensions of the lives of the Athenian community would therefore have been quite incomprehensible to both Plato and Socrates, and the Athenians with whom they lived and conversed. The market, as a public agora, shaped in fundamental and practical ways Plato's understanding of what we would call today the role of wealth creation and business firms as wealth creators in the shaping of a healthy, viable and just society.

2.3 Theme Two: The Idea of a Social Contract

A central concern for both Socrates and Plato was the nature and pursuit of justice for both the individual and society. Socrates search for an understanding of justice was conducted publically through conversations and confrontations with Athenians and some of their most powerful leaders in the Athenian agora or marketplace. Those inquiries formed the basis of a set of charges, namely that Socrates was corrupting the youth of Athens, a trial, a verdict of guilt and the imposition of the penalty of death. The trial, imprisonment and death of Socrates had a profound impact on Plato. The significance of the trial and the verdict emerge from Plato's account of the conversations of Socrates with his friends while in prison awaiting execution. The *Crito* depicts Socrates first in conversation with his friend Crito reflecting on whether to take the advice of Crito and escape and go into exile to avoid execution. The conversation takes a dramatic shift in direction, however, as Socrates redirects the focus of the conversation from his friend Crito to "The Laws" which are depicted as personifying the state.

2.3.1 Socrates Conversation with “The Laws”

In the dialogue, the Laws confront Socrates with a question. What has “the state” done that would justify an attempt on Socrates part to destroy the state? Socrates is reminded by his interlocutor, the Laws, that it is thanks to the laws and the state that Athenians like Socrates’ parents were able to marry, conceive, give birth, raise children, and ensure their education. Furthermore, the state had given Socrates and “every other citizen a share in every good” the state was in a position to give. The nature of these additional goods is not enumerated in the text. However, they are not difficult to identify: protection of private property, a civic order in which goods and services could be freely exchanged, public facilities for the administration of law and government, an army to provide protection from external enemies, freedom to participate, question and contribute to public life and so on. In the absence of these public goods, the life that Socrates was able to live and the debates and conversations in which he had indulged would have been quite impossible. More important for our purposes, in the absence of these public goods, the conduct of business would be severely truncated and restricted. Athens as a centre of trade and economic activity was heavily dependent on the infrastructure and the quality of life which “the Laws” made possible.

2.3.2 Implications for Business

The dialogue between Socrates and the laws (and government) in the *Crito* does not focus on the role of the state in facilitating the conduct of business. Nonetheless, the argument can be seen not only to have broad application but also to offer quite specific lessons for the contemporary world of business. Let us look at each in turn.

First, in its more general application, the position developed in the *Crito* and later in the *Republic* underscores the intimate relation between the freedom to engage in a meaningful existence and the existence of a complex, structured social order that provides an ordered framework that makes the pursuit of individual goals and objectives possible. What applies to human life generally applies also to the pursuit of business objectives. Business is not a human activity that can be understood isolated from an understanding of the various ways in which the institutions, practices and laws of any given society provide the environment which makes doing business possible and rewarding.

This view of the relation between business and society no longer holds the place today in the thinking of business theorists that it did in Greek thought and particularly Greek philosophy. Economic theory as it has evolved in the modern period builds on a one dimensional view of human motivation quite incompatible in content and structure with its Socratic/Platonic counterpart. What Plato would call the appetitive component of the human psyche (profit maximization and the pursuit of material wealth) is given the central role in understanding economic

behaviour in the contemporary world of business. Self interest, activated by private and personal desires, is understood to drive all rational economic activity (Friedman 1970; Heath 2009; Cragg 2002). The picture of economic man that emerges is one dimensional, devoid of the complex social patterns and structures Plato describes in dialogues like the *Crito* or the *Republic*.

This contemporary picture of economic man is reflected in the theory and practice of management in today's business world. The dominant view of the obligations of managers, particularly the managers of large publicly held multinational corporations and the managers of large investment and pension funds, is that their central moral obligation is to maximize profits for the benefit of their owners, whose interests, it is assumed, are myopically fixed on maximizing financial returns. On this view, a manager's social obligations extend only to an obligation to obey the law, and, as Friedman describes it, local ethical custom or the rules of the game. Here law and ethical custom are seen not as the dynamic framework required for the development of flourishing market activity but rather as largely (though not entirely) unwelcome restraints on the free exchange of goods and services. Law and regulation are to be minimized where possible and ignored where they are not enforced and the benefits of doing so are substantial.

On this view, the market is a zone of activity governed ideally by purely economic values whose intersection and interrelationship with other important human values are irrelevant to understanding its purpose and function.

2.3.3 The Emergence of the Idea of a Social Contract

Contemporary management and economic theory that is grounded on the idea that our understanding of business or economic activity can be abstracted from markets as places for human social, political, religious and economic interaction would not have been conceivable either to Plato or Socrates. To be sure, it is not an idea that either directly addresses. However, Socrates' dialogue with the Laws does hold lessons for management in the twenty-first century as well as understandings of the responsibilities of the contemporary business leader, though what those lessons are will not be immediately obvious.

In the *Crito*, Socrates is described as ruminating on his responsibilities as an individual and as a citizen to the state. The contemporary shareholder owned, for-profit corporation is an organization and not an individual. The decisions of business leaders in this context are not the decisions of people acting in their role as citizens but rather individuals making corporate decisions. The primary responsibilities of business leaders, it could and has been argued, is to the corporations and their owners, namely the shareholders who have delegated leadership responsibilities to them.

There is an interesting link here to the argument of Socrates although the link itself is not immediately obvious. One of the basic and widely assumed obligations of the corporation and its leadership on the contemporary economic model of the

firm is to obey the law. Milton Friedman puts the matter this way. He points out first that only people have responsibilities not business generally. He then goes on to say:

In a free-enterprise, private-property system, the corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible . . . (1970)

It is significant, however, that Friedman does not stop here. He goes on to say that while business leaders have an obligation to make as much money as possible for their owners, they have an obligation to do so **“while conforming to the law”** (my emphasis) (1970). This assertion provides an interesting bridge back to the position Socrates is taking in his dialogue with Crito.

At the heart of the exchange between Socrates and the Laws is the view that as an Athenian, Socrates has a fundamental obligation to obey the law. Why is this the case? The response that Socrates puts in the mouth of the Laws gives us the answer. “And was that our agreement with you . . .” the Laws ask, “or were you to abide by the sentence of the state?” (Jowett 1952, p. 217) What Socrates is suggesting in this passage is that when becoming a citizen of Athens, he entered into an agreement. A key provision of that agreement, Socrates concludes, is an obligation to obey the law. That is why the Laws are personified in the dialogue and why the dialogue is with the Laws. What Plato is recreating is a conversation between two parties to an agreement, what today we would call a contract or a social contract (Cragg 1999).

Can we point to a parallel with the modern shareholder owned corporation? The answer is embedded in a fundamental characteristic of modern business entities. The modern corporation is a legal artifact (Cragg 2002). Its powers and key characteristics can exist only within a framework of laws that are respected and enforced by the state. For example, a key characteristic of the contemporary corporation is limited liability. Limited liability is a provision that allows corporations to amass capital which in turn allows them to build powerful business entities capable of engaging in research and providing goods and services that only access to vast pools of capital make possible. Limited liability has this effect because it limits the legal liability of investors to the sum of money they invest in the corporation. The result is that when someone invests money in a corporation by buying shares, the money risked and therefore the money the investor stands to lose is limited exclusively to the money invested. That being the case, an investor can invest knowing the exact extent of his or her liability and knowing that nothing else that he or she owns will be put at risk by that investment. Without this provision, investors would have to approach investing in a corporation much more cautiously.

Limited liability, however, is possible only if conferred by law. It is something that society through the state can grant or take away. It is not, as some would put it, a “natural right”.

The question then is why a society would confer this important protection on investors? Presumably, it is not with the objective of allowing individuals to become wealthy. It must be because the state believes that creating a legal framework that allows corporations with the characteristics of the modern corporation to

come into existence and engage in business activities will generate benefits more generally for the people for which the government has responsibility and authority. The relationship between the contemporary corporation and the state can then be said to parallel the relationship Socrates claims exists between the state and the individual citizen. It has the characteristics of an agreement or a social contract. It is an implicit not an explicit agreement. However, it is reciprocal; and it is morally binding. Because corporations as legal artifacts owe their existence to laws and a legal system created by the state, they have an obligation to respect the laws and the authority of the state on which their existence as business entities and their capacity to do business depends. In return for the right to exist, operate and generate private wealth for their owners, they also have a moral obligation to meet those conditions implied by their agreement, namely to contribute to the public good.¹

2.4 Theme Three: Plato Harmony and the Pursuit of Justice

The execution of Socrates as well as Socrates' reasons for refusing the entreaties of his friend Crito to accept the assistance of his friends to escape and go into exile had a profound impact on Plato, also a friend and student. Why, Plato wondered, was the incisive interrogation of the power brokers of Athenian society so disturbing as to lead to a public trial and execution? What was required by way of personal and social understanding and the structuring of both individual character and the social order to prevent the commission of injustices of this magnitude? The Republic is Plato's response. The focus is the nature and pursuit of individual and societal justice. In the Republic, Plato seeks to develop an account and a model that reflects the practical lessons of Athenian society and the theoretical insights offered in a preliminary way by his mentor Socrates.

Human society and the individual human character, Plato suggests, is composed of three elements. The first is what he describes as the appetitive element or that aspect of society focused on the material necessities that make life physically possible. Plato speaks here of "husbandmen" and "craftsmen" (Book III: 415). However, it is clear that he has in mind what we would call the economic function of society, the production and producers of economic wealth, the goods and services without which organized societal life is not possible. A second function is fulfilled by what Plato refers to as "auxiliaries" whose responsibility is to protect a city or community from its external enemies. This is a military function to be fulfilled by military personal who have the physical capacity and courage to defend the state. The third function is that of "guardian" or ruler. The function of this role or element is to create the laws that order the relationships and responsibilities of the people who together comprise the city or state. The state will be well ordered, Plato argues, only if each of

¹I explore this idea in much greater detail in "Human Rights and Business Ethics: Fashioning a New Social Contract, and "Business Ethics and Stakeholder Theory".

these roles is responsibly carried out and only if the rulers are properly educated and allowed to do their job. Proper education requires a resolute focus on the public good and protection from the distractions of personal wealth.

The desired outcome is described by Plato in Book IV. The goal in founding the state, he proposes is “the greatest happiness of the whole” (420). For it is in a well ordered and harmonious state that justice is most likely to be found (420). A central characteristic of a harmonious state, however, is one where the rulers are focused on the good of the whole and where the values of those responsible for the production of material wealth are properly ordered and are not allowed to define the purpose or the rules of society. In Plato’s *Republic* the central responsibility of what we would call the business class is to work harmoniously with government with a view to serving the public good which for Plato was the creation of a just society.

In contrast, the currently dominant economic model of the contemporary corporation builds on the assumption that the primary obligation of business leaders is to their shareholders and to the production of private wealth. The view of the relation of the individual to the state set out by Plato in the *Crito* and later in the *Republic* exposes the poverty of that now dominant economic model of the firm and its leadership. Although he believed that human beings flourish best in an environment where there is a division of labour that carefully differentiates the functions and responsibilities required for the creation and maintenance of a fully effective and just society, Plato’s governing insight is the view that justice requires a harmonious integration of the roles and functions required in a complex society. Crucially important, in Plato’s view, is a willingness on the part of those generating wealth to contribute to the social good and to be guided by leaders whose primary obligation is to ensure that all parts of society work together to advance the common good. Achieving harmony requires of leaders wisdom, courage, self discipline but also adherence to fundamental principles that define their responsibilities.

Plato’s analysis also holds out a warning for public policy makers. The single minded pursuit of material wealth, Plato points out, is a recipe for social and personal disintegration, injustice and tyranny. This is one of the fundamental themes of *The Republic*. Where those responsible for the generation of material wealth dominate the law making function of government, social disharmony and conflict can be expected to result. The rules, Plato argues, should be created by leaders focused on the public good. The pursuit of personal or private material wealth creates a conflict of interest that blinds those caught up by it to the public good and the likely negative impact of the self interested pursuit of private wealth on the creation of a just and harmonious society.

2.5 Conclusions

Plato’s vision of the just society is not one that most of us are likely to embrace today in all its details. The underlying principals and insights, however, are well worth careful evaluation. There would appear to be a good deal of evidence that the

unbridled pursuit of material wealth does lead to social disharmony and tyranny. Markets serve economic values and economic interests. However, detached from a wider range of human values and interests, economic interests undermine the social, political and legal frameworks required if markets are to function effectively. The past two decades provide ample evidence of the harm that results when these fundamental truths are ignored.

In a world in which economic interests, organized in the form of multinational corporations and financial institutions have assumed a kind of power historically available only to states, Plato's proposal that a harmonious integration of all the key social elements required for the creation of a just society is one to which today's business leaders might therefore well give careful consideration.

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