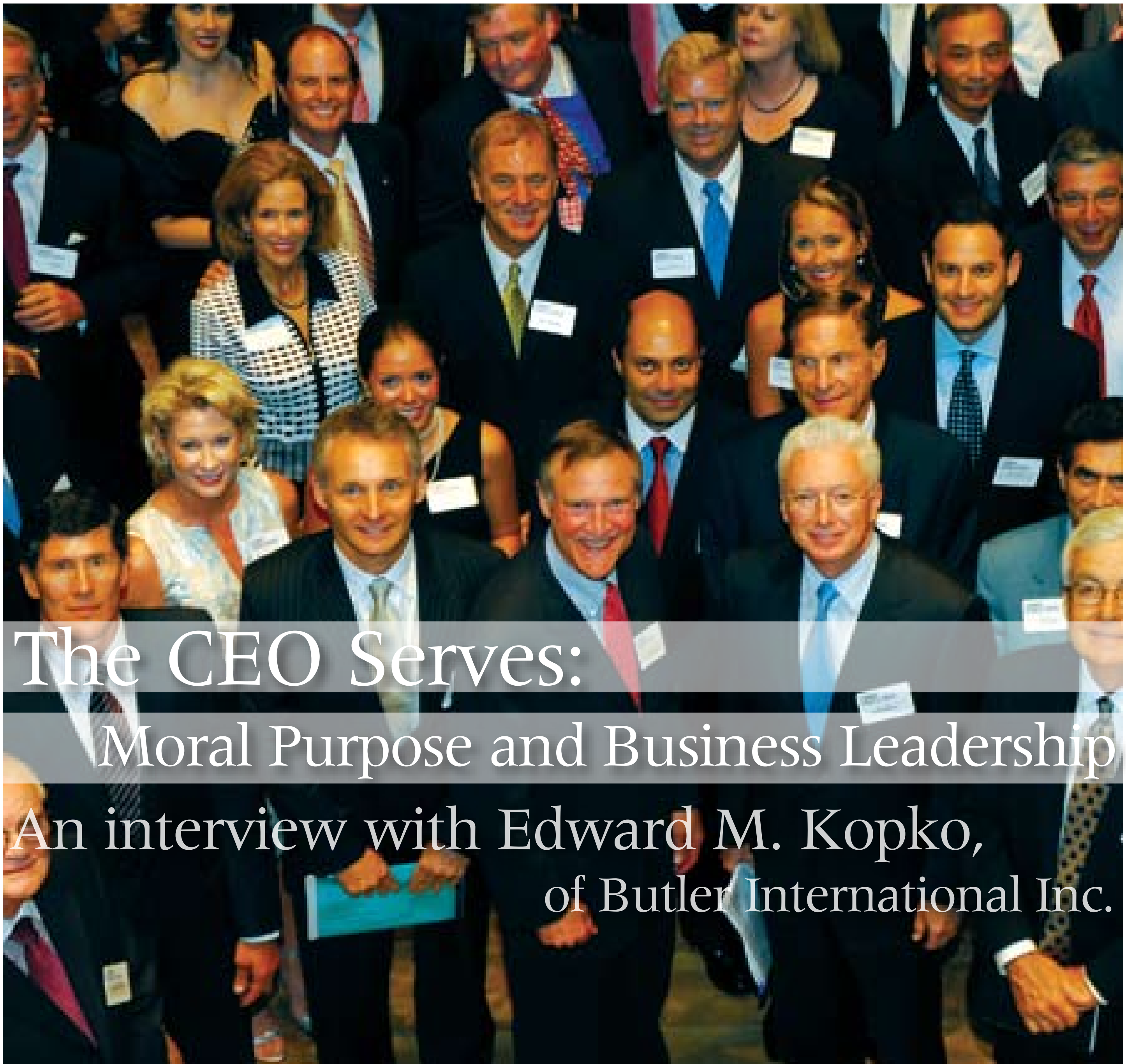
Acton Institute

Religion & Liberty

Fall 2007 | Volume 17 | Number 4

Inside this issue



The CEO Serves: Moral Purpose and Business Leadership

An interview with Edward M. Kopko, of Butler International Inc.

A Journal of Religion, Economics, and Culture

Editor's Note

Sometimes before you get to the main argument, you have to argue about what you are arguing about. Perhaps that seems tedious, but if you bear with me, you might be convinced that it is important. This issue of *Religion & Liberty* features several pieces that try to clarify what we are arguing about.

Our new managing editor, Ray Nothstine, reviews *Good Capitalism, Bad Capitalism*, and praises the authors for sorting out the many phenomena that are described as capitalism. Oligarchic capitalism is not the same as entrepreneurial capitalism, and defenders of economic liberty should not burden themselves with defending the former. Liberty is not the same thing as capitalism, and there are variants of capitalism that threaten liberty. After all, a moral look at the economy does not defend capital as a good in itself, but rather human freedom as the desired goal.

Welcome, Ray, to the Acton Institute, and to *R&L*!

Acton's Michael Miller revisits the historical debate about FDR in reviewing Amity Shlaes's *The Forgotten Man*. Five years ago, Conrad Black published a magisterial FDR biography subtitled "champion of freedom," arguing that FDR saved both democracy and the free economy from the twin threats of war and depression. Shlaes, with Miller's agreement, takes a decidedly less favourable view on the economic liberty front. So before that next argument about FDR, it would be better to clear up which FDR you propose to argue about—the champion of freedom, or the emerging statist.

Similar issues are highlighted by our lead interview with Edward M. Kopko of Butler International. Before that next argument about CEOs, it would be worth clarifying what image of the CEO is under consideration. Is it the rapacious, likely corrupt figure we see so often in television dramas? Or is it the customer-serving problem-solver who sees to it that the firm is motivated by the proper values? Kopko argues for the latter, based on his own experience, as well as his editorship of a business magazine specifically devoted to management issues.

Finally, I contribute a review of what promises to be an important book in the economic field closest to my heart: development. Who should be our concern in the developing world? Is it the five billion who do not live in the world's rich countries? Is it the middle four billion who live in countries that are, by historical standards, rapidly growing? Or should it be the "bottom billion" who are diverging from global growth and actually falling backward in absolute terms? Paul Collier's book may well change the way we think about development, and change what we are arguing about.

Father Raymond

The Acton Institute for the Study of Religion and Liberty promotes a free society characterized by individual liberty and sustained by religious principles.

Letters and requests should be directed to: *Religion & Liberty*; Acton Institute; 161 Ottawa Ave., NW, Suite 301; Grand Rapids, MI 49503. For archived issues or to subscribe, please visit *www.acton.org/publicat/randl*.

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Edward M. Kopko

The CEO Serves: Moral Purpose and Business Leadership

An Interview with Edward M. Kopko

Edward M. Kopko has been the president, chief executive officer and chairman of the board of Ft. Lauderdale, Florida-based Butler International, Inc., since January 1987. Butler International, with 3,800 employees, is a worldwide provider of technical and technology services, helping clients such as Boeing, Caterpillar, Citigroup, Los Alamos National Laboratories, Merrill Lynch, Verizon, and many others.

Mr. Kopko is chairman and chief executive officer of CE Group and Chief Executive Magazine, *where he is publisher.* Chief Executive Magazine *is a leading publication that has been devoted to publishing articles on strategy and issues for chief executives for more than twenty seven years. Mr. Kopko holds a B.A. degree in economics from the University of Connecticut, an M.A. in economics from Columbia University. He spoke recently with* R&L *executive editor John Couretas.*

A lot of critics are taking potshots at CEOs these days. They make too much money, they have too much power, and they run companies—like Enron and Arthur Andersen—only to line their own pockets at the expense of shareholders, employees, and the public, or so the story seems to go. Do CEOs feel as though they're under siege?

> " ...most people are not looking at these policies and approaches because they do not make news. Honesty is not sensational, unfortunately."

Chief executives generally believe that they are not well understood and have been made almost into cartoon characters by some in the media. When was the last time you saw a movie where the CEO of a company was depicted as a good guy? They may not be under siege as they were back a few years ago during the Enron period, but business leaders still have very low ratings from the general population.

Edward Kopko (far center) conducts one of his usual business meetings

Yet you say that the CEO is "perplexed" about how to respond to these attacks. Why?

Most CEOs I have talked with do not believe they should defend themselves and their work. To their way of thinking, actions speak louder than words. They have a point, of course, but we all should be doing a better job of explaining why business contributes to the general well being of society. I believe that much work needs to be done in educating our country on economics and the important and noble roles that business leaders have in creating such wonderful progress for the world.

You have said that the majority of chief executive officers run their businesses in an ethical way. How do business leaders begin to communicate that and change the public's perception of what they do?

I believe that most companies have communicated their policies and approaches for many years. And most companies are managed according to these stated principles. But most people are not looking at these policies and approaches because they do not make news. Honesty is not sensational, unfortunately. Companies have long had stakeholder-based policies that have holistic views of their roles to provide good services, quality employment and have positive community involvement. Unfortunately, a few well-publicized stories of some rogue companies overshadow the years of great work of many. Those are the names that too many people remember.

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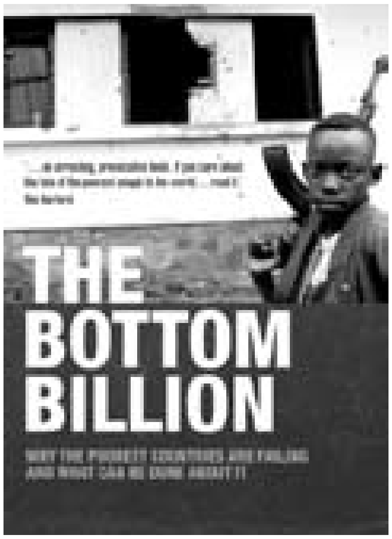


The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It

Reviewed by Father Raymond J. de Souza

Development remains the most pressing human question in economics. As interesting as stock market models might be or monetary policy in managing the business cycle, the most fundamental question in economics is that of growth. What leads to economic growth? And how can those who are poorest realize the benefits of growth?

Every few years a book comes along that makes a significant contribution to our thinking about those most important questions. One thinks of the work a few years ago of Hernando de Soto in *The Mystery of Capital*, which proposed thinking about the slum-dwellers of Latin America as potential entrepreneurs, if only they could access the small capital locked away in their slum dwellings.

A similarly important contribution has been made by Paul Collier, professor of economics and director of the Centre for the Study of African Economies at Oxford University. A former director of development research at the World Bank, he is a specialist in the economic plight of Africa. Hence his recent book, *The Bottom Billion*, focuses mainly, but not exclusively, on Africa.

Collier begins by making distinctions in the developing world. Of the world's roughly six billion people, one billion live in the rich countries. Four billion, including those in China and India, live in countries that are developing, indeed quite rapidly. That leaves the "bottom billion"—the poorest who live in countries that are not developing at all, and are actually falling behind what can properly be called the "developing world." The bottom billion is not exclusively African, but most Africans belong to it, along with "places such as Haiti, Bolivia, the Central Asian countries, Laos, Cambodia, Yemen, Burma, and North Korea." Collier includes fifty eight countries in his bottom billion, and they are all small nations with very low incomes.

> " The bottom billion is not exclusively African, but most Africans belong to it, along with 'places such as Haiti, Bolivia, the Central Asian countries, Laos, Cambodia, Yemen, Burma, and North Korea.'"

Much development literature looks at the developing four billion or includes the bottom billion along with countries that are doing much better. Collier notes that the World Bank has large offices in every major middle-income country (the middle four billion) but not a single person resident in the Central African Republic. Collier's book corrects that oversight, and it is critical, for the happy truth is that the majority of the world's population is developing, and well on its way to becoming no longer poor. That is good news not heard often enough.

"The middle four billion have experienced rapid and accelerating growth in per capita income," Collier writes. During the 1970s, such growth was 2.5 percent per year, in the 1980s and 1990s it was 4 percent, and in this decade thus far, 4.5 percent. "These growth rates may not sound sensational, but they are without precedent in history. … Even where people are still poor, these societies can be suffused with hope; time is on their side.”

In contrast, the bottom billion experienced negligible growth, and then absolute decline. By 2000 they were poorer than they were in 1970—societies suffused with despair and diverging dramatically from a world in which everyone else is rich or getting richer. Why?

Collier explains by way of sketching four traps into which the bottom billion have fallen: armed conflict, distortions due to natural resource riches, being landlocked with bad neighbors, and bad governance in a small country. He marshals an impressive array of data, ingeniously researched and interpreted, to show how the bottom billion are in situations in which development is very unlikely.

Civil war, for example, eats up resources and hampers economic growth. But in a low income country without economic growth, the likelihood of civil war is greater—in the absence of hope for a better economic day, seizing the spoils of the state is comparatively more attractive. It is not poverty that produces conflict, Collier argues, but the absence of prospects of growth. The killer effect is that once armed conflict takes root, it can become a trap out of which it is difficult to escape, for civil war diminishes growth.

Another factor Collier identifies is being landlocked with scarce resources. Countries with scarce natural resources, unable to live off the land, need to live off their labor—manufacturing. But getting manufactures to market in a small, landlocked country is difficult, especially if you have bad neighbors. Why is Africa in such trouble? Consider that in the whole developing world excluding Africa, Collier reports that only 1 percent lives in countries that are both land-locked and resource-scarce. In Africa, fully 30 percent live in such countries—countries that, absent colonial map-drawing, have no economic reason to exist.

Collier is at his best when looking at how natural resources (oil, minerals) can encourage conflict, exacerbate bad governance, and enervate nascent manufacturing if those windfall revenues come too early to countries dealing with the other poverty traps.

Collier writes in plain English and has a biting sense of humor, but often it is a case of laughing because the only alternative would be to weep. It is a bleak picture for the bottom billion, especially when Collier argues that they may have missed the boat on the opportunities from globalization. So abundant are the supplies of cheap labor in Asia that there is no prospect of low-wage manufacturing jobs heading to the bottom billion anytime soon.

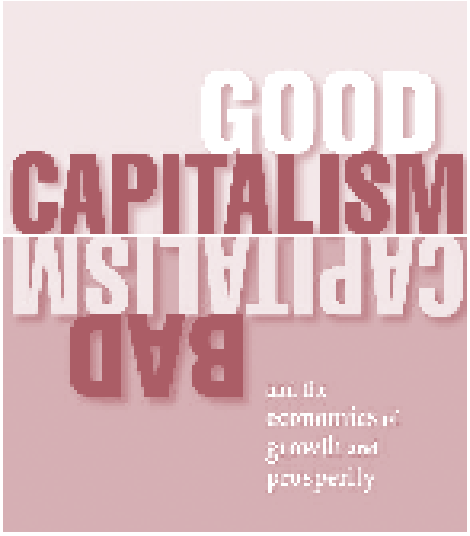
What then is to be done? Collier does not blanch from bold solutions. Most small country armed conflicts and coups can be stopped relatively cheaply by intervention from abroad, which he advocates, insisting that the lesson from Iraq cannot be “never intervene.” Rich country governments could at least stop facilitating bad governance by refusing to accept the ill-gotten gains of corrupt regimes in their banks. Greater transparency in natural resource payments might correct some of the abuses that skyrocketing oil prices are permitting. On trade, the goal is to use favorable trade policies to “prime the pump” for bottom billion exports—they need to be included in the network of entrepreneurship and exchange.

“ The societies of the bottom billion can only be rescued from within. In every society of the bottom billion there are people working for change, but usually they are defeated by the powerful internal forces stacked against them.”

“Let me be clear: we cannot rescue *them*,” Collier writes. “The societies of the bottom billion can only be rescued from within. In every society of the bottom billion there are people working for change, but usually they are defeated by the powerful internal forces stacked against them. We should be helping the heroes. So far, our efforts have been paltry: through inertia, ignorance, and incompetence, we have stood by and watched them lose.”

Identifying losers is not a happy task. But offering creative ways to understand the losses with a view to correcting them is a signal service. *The Bottom Billion* does just that for those who need it most.

Father Raymond J. de Souza, editor of Religion & Liberty, *studied economics at Queen’s University in Kingston, Ontario, and the University of Cambridge before his theological studies for the priesthood.*



Good Capitalism Bad Capitalism, and the economics of growth and prosperity

Reviewed by Ray Nothstine

The authors of *Good Capitalism, Bad Capitalism* explain why capitalism is not a monolithic construct. Before the end of the Cold War there was a perception that capitalist economies were generally the same, due to the stark contrasts between Western economies and Soviet-style command economies. Authors William J. Baumol, Robert E. Litan, and Carl J. Schramm draw out distinctions between different forms of capitalism and which models best promote growth and productivity. The four main types they identify are oligarchic capitalism, state guided capitalism, big firm capitalism, and entrepreneurial capitalism. While all of these systems respect property rights to one degree or another, the authors argue that there are significant differences among these types and how efficiently each promotes economic growth and expansion.

Oligarchic capitalism, which is prevalent in much of Latin America, Africa, and the Middle East, is to be avoided because it's designed to promote the interests of the ruling few. State guided capitalism tends to be consistently behind the demands of market forces, as government makes many mistakes in trying to manage an economy. Big firm capitalism can at times be reluctant to change and can lag in innovation. Big firm capitalism typifies much of the super corporations of continental Europe and Japan.

> " Entrepreneurial capitalism is by far the best system because it promotes new breakthroughs in technology and innovation."

Entrepreneurial capitalism is by far the best system because it promotes new breakthroughs in technology and innovation. The United States is by far the greatest example of entrepreneurial capitalism. "Without the entrepreneur, [scientific] knowledge might possibly have lain dormant in the memory of one or two persons . . . younger firms produce substantially more innovations per employee than larger more established firms," the authors say.

This form of capitalism combines the entrepreneurial spirit within an economy that also hosts large, established corporations. In essence, it's a combination of the entrepreneurial spirit with big firm capitalism. In fact, corporations are needed in order to refine and mass produce the innovations into affordable and useful products for the consumer.

More than half of the jobs in the United States are created by firms that are less

Good Capitalism Bad Capitalism: And the economics of growth and prosperity

Authors: William J. Baumol, Robert E. Litan, and Carl J. Schramm
Publisher: Yale University Press (2007)
336 pp., Hardcover $18.00, ISBN: 978-0300109-41-2

Avaliable at amazon.com

than five years old. In addition, the authors propose some policies that will enhance the formation of a successful entrepreneurial economy. First, in an entrepreneurial economy, it must be relatively easy to form a business without expensive start up costs related to bureaucratic red tape. Incentives for growth are also seen as critical, as well as a commitment to free trade, and property and contract rights. Also, governments "must discourage activity that aims to divide up the economic pie" rather than to increase the size of the pie.

"The lesson we draw from this history is that without entrepreneurs, and without the right incentives for them to devote themselves enthusiastically and tirelessly to commercial use of their innovations, economic progress cannot be counted on and indeed is unlikely to occur," the authors tell us.

Good Capitalism, Bad Capitalism reinforces something many of us may already know—the United States has been an economic force unlike any nation in the history of the world. But there is no immutable law that says it will always be so. Entitlement programs and a tax system in dire need of reform pose a threat to our long term prosperity and an ability to stay competitive. Ultimately, a strong commitment to financial incentives that allow entrepreneurial endeavors to succeed and flourish will go a long way in sustaining the United States as the economic powerhouse of the highest order.

> " Good Capitalism Bad Capitalism reinforces something many of us may already know—the United States has been an economic force unlike any nation in the history of the world."

Acton FAQ

What Exactly is a Think Tank?

A think tank doesn't just catalogue ideas, but participates in and promotes the free exchange of ideas. While we seek to address a host of problems and propose solutions from a foundational stand point, our freedom and independence at the Acton Institute is a valuable asset. Some critics of think tanks simply assume they are only extensions of controlling interests or have little impact on the public debate.

Ideas often have the power to transform the thinking of those at the grassroots level of policy and thus equally influence those in the circles of power. Margaret Thatcher's privatization reforms in the United Kingdom were significantly guided by the Institute of Economic Affairs. In addition, this institution played a substantial role in other reforms in the U.K. as well.

This is of course one example of many where think tanks play a vital role in formulating and shaping ideas. Christopher Demuth, president of the American Enterprise Institute, wrote an article in the *Wall Street Journal* titled "Think Tank Confidential" and in it he said, "Think tanks serve as storehouses of ideas, patiently developed and nurtured, waiting for the crisis when practical men are desperately seeking a new approach, or for the inspired leader who sees the possibility of action before the crisis."

With first class documentaries, commentaries, educational conferences, and publications, the Acton Institute is influencing the debate, unlike at any other time in our past, not just here in the United States but internationally as well. Our scholars and staff are also first class. We will always be committed to defending the message of faith, liberty, and economic freedom. It's an essential message that resonates with freedom loving people who are also committed to a serious and transforming relationship with God.

Kris Alan Mauren
Executive Director

In Defense of Intellectual Property

by David H. Carey

This article is excerpted from the new Acton Institute monograph, The Social Mortgage of Intellectual Property.

One reason why intellectual property in some new technologies may appear to be unlike other forms of property lies in its indefinite replicability—multiplication without diminution.

You and I, and indefinitely many others, each may have access to some item of computer software just as we all may share the ideas in this paper. Each copy is as good as the original. Your having a copy in no way diminishes my use of, or access to, my copy. In contrast, a tangible item of property can be in only one place at a time and may well be diminished by multiple uses. This contrast between tangible and intellectual property has led some to think that intangible items cannot or ought not to be restricted as tangible items are. If you take my pen, I cannot use it, but if you take my idea, I suffer no analogous loss. Thus, it might seem that new technological developments that result in perfect replicability (such as computer software or genetic coding) may render traditional notions and norms of property obsolete.

“ While sharing intellectual objects may not involve loss of possession or loss of personal use, the loss of income incident to such sharing is a true and significant loss and not to be dismissed.”

One philosopher who has raised this, along with several other objections to intellectual property, is Edwin Hettinger. He asks, “Why should one person have the exclusive right to possess and use something which all people could possess and use concurrently? The burden of justification is very much on those who would restrict the maximal use of intellectual objects.”

To this objection we reply: Income from selling one’s product is a form of use; so it is not the case that sharing intellectual property is loss-free to the sharer. While sharing intellectual objects may not involve loss of possession or loss of personal use, the loss of income incident to such sharing is a true and significant loss and not to be dismissed.

Second, Hettinger spells out the puzzle involved in determining what value ought to be ascribed to one’s labor. For instance, market value does not solve the puzzle for two reasons: Market value is “a socially created phenomenon,” and not in any direct sense the product of one’s own labor. Market value results from many factors and not just “the latest contributor,” so that it would seem unfair to reward only this latest contributor with the value of a

product, but then how would such value be divvied up? “To what extent individual laborers should be allowed to receive the market value of their products is a question of social policy,” Hetinger argues, “it is not solved by simply insisting on a moral right to the fruits of one’s labor.”

Our response is that, in principle, at least, all predecessor contributors to a product could get their due in a free market (if we understand their due to be determined by the free transactions of willing sellers and buyers, the essence of a free market).

A closely related attempt to justify intellectual property is the argument from desert. The basic idea here is that one deserves to be rewarded for worthwhile labor. To this Hettinger objects that property rights to the results of one’s labor are not necessarily the form that such reward should take. Here, he adduces Lawrence Becker’s counterexample: Parents do not deserve property rights to their children. Even if it could be established, moreover, that property rights should be proportional to the value of one’s labor, this would not justify patents, copyrights, or trade secrecy, in that none of these forms of intellectual property guarantees a reward neither more nor less than one deserves.

We grant that intellectual property rights do not guarantee a just reward. We know of no automatic device that would provide such a guarantee. Nor are such rights “necessarily the form that such reward should take.” Rather, their justification, in our legal system, at least, rests chiefly on the social bargain by which such rights are offered in return for the ultimate enrichment of the public domain. Accordingly, these rights are social constructions rather than natural endowments. To admit this, however, is not to impugn their justice any more than the merely conventional status of traffic laws impugns the justice of traffic fines.

David H. Carey is professor of philosophy at Whitman College in Walla Walla, Washington. The book may be purchased online through the Acton Book Shop.

Double-Edged Sword:
The Power of the Word

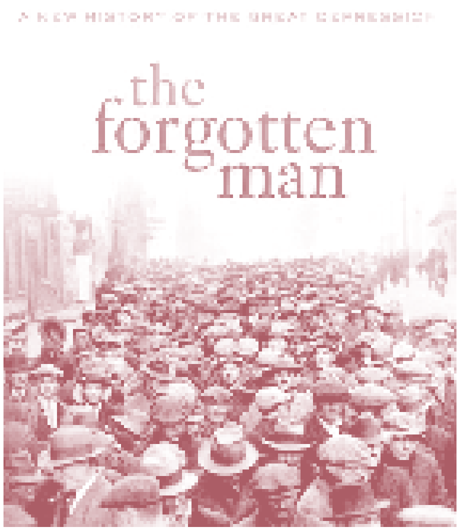
Luke 17:12–19

As he was going into a village, ten men who had leprosy met him. They stood at a distance and called out in a loud voice, “Jesus, Master, have pity on us!” When he saw them, he said, “Go, show yourselves to the priests.” And as they went, they were cleansed. One of them, when he saw he was healed, came back, praising God in a loud voice. He threw himself at Jesus' feet and thanked him—and he was a Samaritan. Jesus asked, “Were not all ten cleansed? Where are the other nine? Was no one found to return and give praise to God except this foreigner?” Then he said to him, “Rise and go; your faith has made you well.”

The compassion of Christ is endless. In this passage we hear about Christ and his healing of ten men who were afflicted with leprosy. It is important to note the ten who are healed are outside the town and grouped together. It would not be uncommon for those afflicted with leprosy to congregate together because they were branded unclean and outcasts by the religious authorities of the day. The law requires them to remain outside the town. Because they are marginalized by others, they have to depend on pity and charity from passers-by who offered them some form of compassion to meet their physical needs.

Luke tells us all ten were healed on their way to see the priests who had the authority to declare these men clean. How often are we afraid to seek and approach God because of our own unclean hearts and sinful ways? The ten with leprosy were in such a dire situation, quite possibly they felt little long-term hope for their lives. Miraculously, they were healed on their way to see the priest. Only one returned to give thanks to the author of his healing, and he was a Samaritan.

Thankfulness to God is an essential characteristic of Christianity. Furthermore, the Samaritan who returned to give thanks to Jesus was given an extra blessing. Christ said, “Your faith has made you well.” It is faith and the powerful grace of God that makes one whole and saved. The Apostle Paul himself says in his second letter to the Corinthians, “Thanks be to God for his indescribable gift.”



Praying and Paying: Amity Shlaes' *The Forgotten Man*

Reviewed by Michael Miller

In my high school U.S. history class, I often argued with my teacher about the legacy of Franklin Delano Roosevelt. My youthful contention was that FDR had expanded the scope of government beyond the intent of the founders and harmed the economy. My teacher took the conventional view of Roosevelt as a hero who got us out of the Great Depression. But I wouldn't budge.

I had been shaped by my parents, especially my mother—a staunch opponent of Roosevelt since the time she was a teenager. We sometimes forget the passion that Roosevelt enkindled both pro and con. During the depression, my mother would argue vigorously with her father, a Hartford fireman and committed Democrat, that Roosevelt's New Deal was exacerbating the depression and placing America on a path toward statism. Her father said that she would grow up and know better. "I did," she told me, "and I was right."

"The New Deal was a classic example of the remedy being worse than the disease."

My mother is older now but only slightly less passionate, and was happy when I showed her *The Forgotten Man*, Amity Shlaes's new history of the Great Depression. Three quarters of a century out, Shlaes takes a dispassionate look at the history of the depression with a focus on economics. She argues that while Roosevelt may have done some good, many of his policies had grievous consequences and that his experiments with the economy did untold harm to the many he tried to help. *The Forgotten Man* shows the dangers of economic planning, and echoes Friedrich Hayek's critique that, despite even the best intentions, planning an economy can never work because there is just not enough information to make all the right decisions. The New Deal was a classic example of the remedy being worse than the disease.

Shlaes unravels the myth of Roosevelts heroic New Deal as the cure of the Great Depression, and shows how Roosevelts attempts to have the government plan its way out of the depression only deepened and lengthened it. FDR—and Herbert Hoover before him—tried to stop the depression through a myriad of government programs and interventions; and both failed because they did not understand and could not predict the effects of their policies.

The title of the book, *The Forgotten Man*, is not what one first expects. Imbedded in it is the tension between Roosevelt's use of the term to mean the poor and downtrodden as contrasted with its first use by William Sumner. Almost prophetically, Sumner wrote in 1883 that whenever one group tries to alleviate the suffering of another group and comes up with a plan to do so there is always a third, forgotten group that bears the burden—it is not the poor nor the rich nor the intellectuals but it is usually the one in the middle. He works, he votes, he generally prays—but he always pays.

"When government usurps the role of individuals and families, it harms more than the economy, it weakens the fabric of society and reduces human freedom."

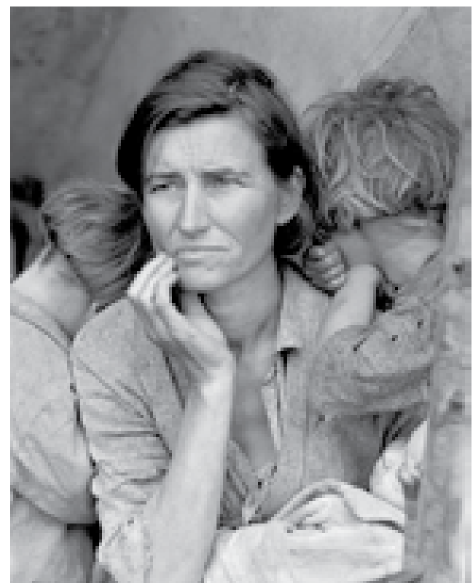
Shlaes develops the many characters central to the time, from Coolidge, Hoover, and Mellon, to FDR and his brain trust of intellectuals whose untiring work and penchant for novelty led to one experiment after another. It was a time where excitement was high everywhere about the possibilities of planning and large scale projects—from the Hoover Dam to the five-year plans of Stalin to the corporatism of Mussolini. One of the most illuminating quotes in the book comes from Rex Tugwell, a Columbia economist and one of FDR's main advisors. Tugwell and several others made a trip to the Soviet Union several years before he was convinced that government should take an active role in managing the economy. He was suspicious of entrepreneurs as obstacles to prosperity and the volatility of the market. Tugwell also witnessed his father's business failure during the depression and that only solidified his enthusiasm for big plans and distrust of the "forgotten man." "We are no longer afraid of bigness" he wrote, "Unrestricted individual competition is the death, not the life of trade."

Shlaes's history is engaging and balanced. It does not demonize either Roosevelt or Hoover, but does show the folly of economic planning and the reality of unintended consequences. It also reveals the naiveté of the intellectual classes of the time, those who were so enamored by both the Soviets and Mussolinis corporatism and the idea of bigness. It is an important book not only for its historical value but for the lesson it can provide for today.

As we come full swing into the election cycle of 2008, Shlaes's book gives a warning against the dangers of the populist rhetoric coming from both Democrats and Republicans. In times of economic uncertainty the promises of populism and the government coming to the rescue can be attractive. But despite the rhetoric, populism always fails wherever it is tried because no matter how good the intentions, government bureaucrats can't plan an economy and can never create the prosperity like the entrepreneurs that Tugwell mistrusted.


1,000 unemployed men marching from the Esplanade to the Treasury Buildings in Perth

When government usurps the role of individuals and families it harms more than the economy, it weakens the fabric of society and reduces human freedom. Planners don't like freedom because of the uncertainty and the risk of failure. It is true that freedom does entail risk. But if you try to eliminate the risk you end up suffocating the human spirit. If we look at Europe today we see huge social welfare programs that were supposed to eliminate the vagaries of the market, but instead of creating an atmosphere where people, knowing they are safe, can be free to live out their dreams, we see countries where people are afraid to start businesses, afraid to get married, and afraid to have children—all of these are connected to the fear of taking risk and a lack of hope. When the state takes over what individual families should do, it undermines their integrity and infantilizes them.


Families were affected as hope faded

Amity Shlaes's *The Forgotten Man* is a good reminder of the reality behind the rhetoric of big government schemes. Let's work to make sure that the one who "works, votes, and generally prays" doesn't again end up being the one who pays.

Michael Miller is the director of programs at the Acton Institute.

Is there a successful strategy or tool for separating a large company from other public corporations whose reputations have been maligned because of serious scandal? In other words, how can business leaders disassociate themselves from leaders with serious integrity issues?

It's very simple. As a business leader, you point to the record of your company. You do not condone unethical practices.

How important is the chief executive in motivating and instilling a sense of morality and ethics in business organizations?

You lead by example. It starts at the top and is part of the culture of the company. A good example is product development, which is something that is at the core of your operations. In today's highly competitive business environment, it is very difficult to "cheat" your customer with an inferior product. Some companies might get away with it for awhile, but that is not a strategy for long-term growth. If you cheat, you just don't last in business. Of course, these fundamental principles apply to relationships with your employees and business partners and in fact everything else you do.

Aren't we really talking about character? Can a CEO—for better or worse—change his or her stripes simply by pledging allegiance to a corporate ethics policy?

It is about character and it is about institutional character. Organizational values are often translated into personal conduct, for better or worse. As I mentioned, most companies have strong ethics on how they treat customers and employees. CEOs know that it is the promise of good service and fair treatment that is the bedrock of their existence. It's not a mystery.

How do you see your work at Chief Executive Magazine *shaping and contributing to the standards of morals and ethics with business leaders?*

I see the work of *Chief Executive Magazine* contributing significantly to the way CEOs improve in their roles as leaders. We do this in many way—from peer-to-peer sharing of best practices to reporting on how successful companies operate. We also have tried to clarify for the CEOs and our many readers that most businesses have an inherently positive nature to them. They solve problems. Everything from food distribution, healthcare, housing, finance, and education are more readily available to serve us and at prices that are the best that technology today has to offer. But, as we know, most CEOs and companies do not do a very good job in communicating this. Research show that Wal-Mart, for example, has saved poor people more money through lower prices than any government program. Yet Wal-Mart is vilified at times. *Chief Executive Magazine* reports on the good and the bad of CEOs and their companies and on balance we see our work helping to improve the state of the business community.

Many business leaders view charitable works and community relations projects as the main way to show an organization's high moral purpose? Is that sufficient?

The higher moral purpose of a business organization and the people who make it go is to first serve the community of users of their products and services. To provide a needed service, at a lower cost, with better technology, is my definition of a moral purpose. Think of health care and how the life expectancy of many millions of people has been dramatically extended in recent times. So you see, we are by definition better off when we exchange our services and trade with each other. Too many companies and CEOs feel apologetic for running a successful, profitable company. This is hard to understand. CEOs should see their success as an asset to the community. If they choose to support the community in some additional philanthropic or charitable way, that should not be viewed as the basis for their moral purpose. Charity and philanthropy are things we all should be doing, of course. But a well run successful business has a high moral purpose by definition.

> "Organizational values are often translated into personal conduct, for better or worse."

Some CEOs have come under attack from Christian groups for supporting social causes that they view as immoral. How do CEOs navigate these controversial issues?

Most CEOs do not like being front and center on social issues. And that is understandable. Business is about serving customers and employees from very different walks of life. CEOs generally prefer their businesses to reflect an inclusive model so they avoid taking stands on many of these issues.

You serve as CEO for Butler International. What are the most important things you do as the company's leader?

My role is to help drive the values and vision for the business. As we said, it starts at the top.

(Middle) Management as a Calling

To complement our interview with Butler International CEO Edward M. Kopko we have provided an excerpt from an article titled, "Management as a Calling," by Hope College professors John Lunn, Robin Klay, and Vicki TenHaken. The article specifically focuses on the mid-level managers, who according to the authors "are the people in whom the bulk of corporate knowledge resides." Sometimes mid-level management is under valued in the business world, but its role and leadership is critical to the growth and stability of a company.

William H. Whyte begins his 1956 book *The Organization Man* with the observation that: "the white-collar people [who] take vows of organization life…are the mind and soul of our great self-perpetuating institutions." He maintains that the group of people who have since come to be called middle managers are "the dominant members of our society…and it is their values which will set the American temper." Some 45 years later, research shows that the most influential factor in a person's satisfaction at work is the quality of his or her immediate manager—greater than the leadership of the organization or even pay. The work of the middle manager in business is not "service to neighbor" only because it makes possible the operation of large organizations in producing greater material wellbeing for society (as we have just seen). Such work also has a major role in directly contributing to the welfare of others. Given the influence of middle managers on both the success of our organizations and the satisfaction of the people who work in them, why do they receive so little recognition? Both the media and business education focus almost exclusively on those who lead organizations and their executive teams.

Middle managers are disproportionately affected by corporate restructuring, reengineering and down-sizing, in part because those making the decisions about which jobs an organization can do without have been seduced by this view of middle managers as not adding much value. However, middle managers are the people in whom the bulk of corporate knowledge resides—as these organizations eventually discover when they end up hiring new people to fill the very positions they eliminated in their restructuring zeal. Middle managers build up their expertise through daily attention to the details of planning, organizing, leading and controlling. They cannot do their job well without building a store of knowledge regarding how to address all the problems and opportunities that come along, whether little or large, mundane or unusual. They are not simply yes-men and women carrying out the directions of others. Their jobs do not come with built in time outs to check with some higher authority before making decisions. Such centralized decision making may have worked in the mid-20th century, but in today's world of "just-in-time" manufacturing and "real-time" business information it would be as outmoded as typing carbon copy letters or producing mimeographed employee newsletters.

When the middle manager's work is done well, no one notices. Doing their work well means there is nothing to notice—other than a smoothly running operation populated by satisfied workers. No grand new strategies or risky decisions or bold endeavors. Says Jim Collins in his book *Good to Great*: "For these people, work is about what they build, create and contribute, comfortable with the idea that most people won't even know that the roots of that success trace back to their efforts."

Middle managers find meaning in what they do because God works in partnership with them to contribute to society through the production of their organization and by creating an environment in which their workers can thrive. Their work is not the stuff that attracts the attention of the media and it has also been largely ignored by business education, which for the most part focuses on strategy development and training people to be leaders of organizations. Middle managers may desire, but do not often receive recognition or acclaim. They work on a different scale than the leaders who do gain such attention, but they are just as necessary.

Tommaso de Cajetan [1469-1534]

Since, then, it is clear from experience that very many cities would be in need of many necessities if there were no merchants, and these merchants could not conveniently practice their business without money changing, it is necessary and honorable for money changing to exist in cities not so much as pure money changing, but, as is obvious from our statements, as serving the economy and politics.

Described as small of stature and giant in intellect, Cardinal Tommaso de Cajetan, O.P., was praised by Pope Clement VII as the "lamp of the Church." Cajetan is perhaps most famous for being the legate sent by Pope Leo X to Germany to try and persuade Martin Luther to back down from his confrontation with the Roman Church. Less well known are Cajetan's important contributions to economic thought, described by the economic historian Raymond de Roover as helping "to lift the barriers that still opposed the march of capitalism."

Born in Gaeta, Italy, into a noble family, Cajetan entered the Dominican Order at an early age. Studying in Naples, Bologna, and Padua, he was quickly recognized by his superiors and peers as possessing an unusually powerful mind. Amidst a plethora of writings, he managed to pen three short treatises on economic matters, his most important being on exchange dealings. The significance of this lies in the fact that exchange dealings were central to the practice of what we would today call money markets. The church's ban on usury raised questions concerning whether the practice of bankers buying bills of exchange at prices determined by the foreign exchange rates was permissible or whether it involved a covert form of usury.

Martin Luther (center left) and Tommaso de Cajetan (right)

Cajetan insisted that such exchanges did not involve usury because they were advances of money to be repaid in a geographically different place and in a different money-currency, even though there was a time difference involved. Cajetan's view was to become the church's official position, and opened the door to the full development of money-markets and wider understanding that, in the conditions of a market, money was not sterile, but rather a commodity, which could be traded like other commodities.

" As a Thomist, Cajetan understood the value of logic and philosophy. This, however, did not prevent this great Christian theologian from seeking the views and insights of business practitioners."

When discussing his ventures into economic subjects, Cajetan makes a point of mentioning on several occasions that he consulted merchants and bankers about the nature of their work. As a Thomist, Cajetan understood the value of logic and philosophy. This, however, did not prevent this great Christian theologian from seeking the views and insights of business practitioners.

Mandated Giving Doesn't Come from the Heart

It seems that some Biblical fallacies never go away, especially as regards redistribution and the poor. Hardly a day passes when I don't hear some version of the following: The Gospels speak clearly on the issue of the poor. They must be cared for. Special obligation falls to the rich who have the resources to care for them. This country has programs in place that are designed to do just that. Therefore, Christians have an obligation to politically support these programs.

The problem here is the slick move from personal ethics to public policy. What is required of us as individuals may or may not translate into a civic policy priority. In the case of the welfare state, it is possible to argue that it does great

> " The more people hear that the welfare state discharges their moral mandate to give, the more these programs crowd genuine charity."

good (though I would dispute that). Whether it does or does not, however, a government program effects nothing toward fulfilling the Gospel requirement that we give of our own time and income toward assisting the poor.

The reason has to do with matters of the human heart. If we are required to do anything by law, and thereby forced by public authority to undertake some action, we comply because we must. That we go along with the demand is no great credit to our sense of humanitarianism or charity. The impulse here is essentially one of fear: we know that if we fail to give, we will find ourselves on the wrong side of the state.

Remember that the government has no money, no resources, of its own. Everything it has it must take from the private sector, which is the engine of wealth creation. If we can imagine a world in which there is no private sector at all, we can know with certainty that it would be a world of bare subsistence at best: universal impoverishment.

Wealthy societies today can afford to create large welfare states while avoiding that fate. But let us never forget the funds that make it possible do not appear as if by magic. They are taken from others without their active consent except in the most abstract sense that people might vote for them.

I cannot see how this method of redistributing wealth has anything to do with the Gospel. Jesus never called on public authority to enact welfare programs. He never demanded that his followers form a political movement to tax and spend. Nor did he say that the property of the rich must always be forcibly expropriated. He called for a change in the human heart, not a change in legislation. There is a massive difference.

There are other grave dangers in confusing the welfare state with personal charitable obligation. The more people hear that the welfare state discharges their moral mandate to give, the more these programs crowd genuine charity. "I gave at the office," becomes the attitude. This is essentially what was behind the comment by Ebenezer Scrooge in *A Christmas Carol* when he dismissed his need to be charitable. "Are there no poorhouses?"

There are further problems. The programs are not effective over the long term. They generate dependency and bureaucracy. They create upside-down incentives. But leaving all that aside, the core message here is that, from a moral point of view, they do not fulfill the criterion that the Gospels specify for generosity, which must come from within and cannot be imposed from the top down.

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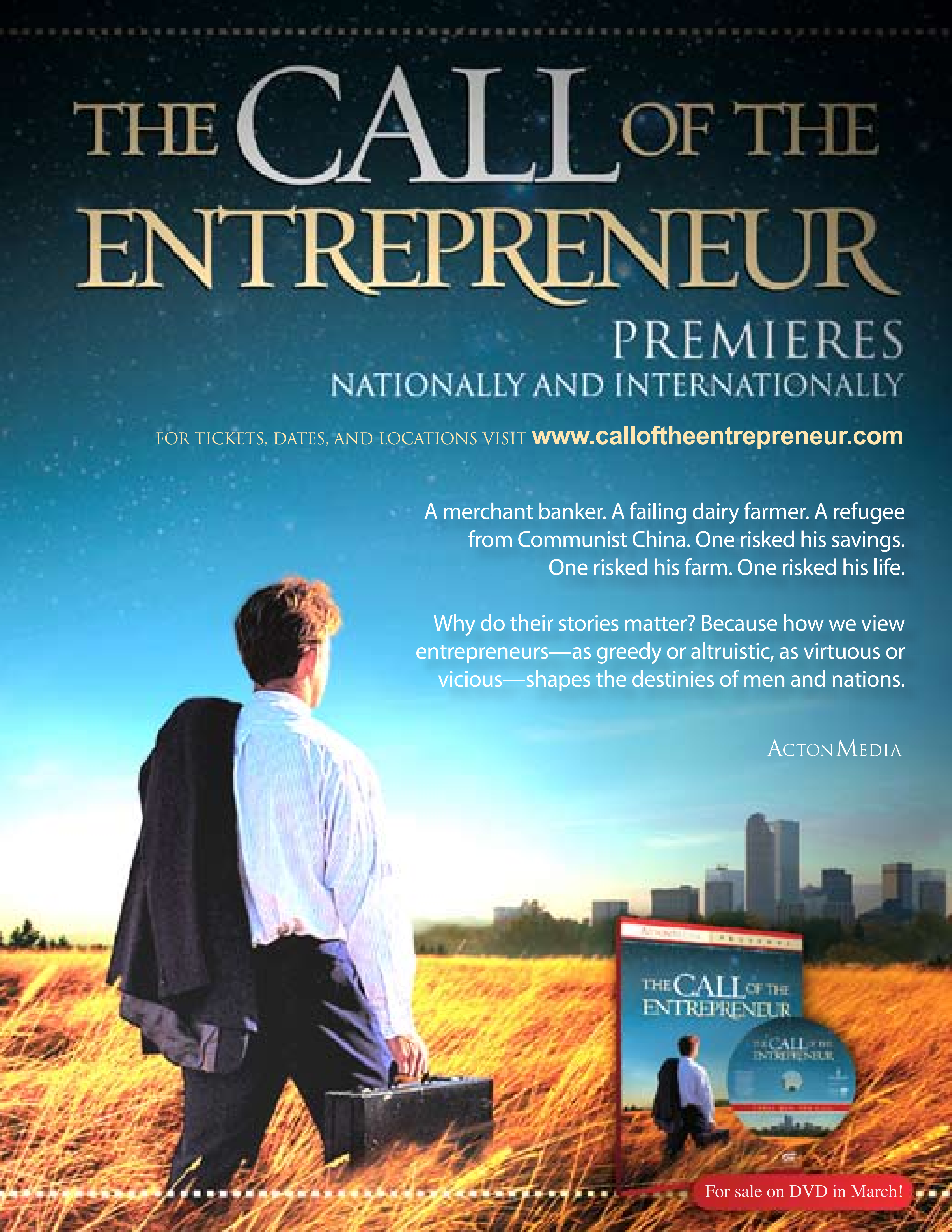
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