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PEGASUS

A NEWSLETTER FOR THE CAUX ROUND TABLE FOR MORAL CAPITALISM
NETWORK LOOKING AT BUSINESS ABOVE THE CLUTTER AND CONFETTI



Pegasus

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Introduction

This issue of *Pegasus* sharpens our focus on social and human capitals – overlooked and underappreciated by so many in academia and in life.

Consider the damage done on so many levels by President Putin’s self-justified invasion of Ukraine as a fair step to remove a grievance of his and many other Russians. His mindset is an expression of human capital; his ability to mobilize support for his campaign of aggression uses social capital.

In this issue, Mary Kowalski, owner of Kowalski’s Markets, writes very personally and with clarity and conviction of how the human capital inherent in her employees – stakeholders of her company – can be nourished and brought to a higher level of flourishing for the good of the company, its customers, its owners and the community.

My wife Hoa and I often shop at Kowalski’s with pleasure and great satisfaction. The deli and baked goods are superior and the produce always just looks fresh and ready to eat.

Mary’s experience proves another important point: principles have legs. They come to life and impact the world through their activation of human and social capitals. They create moral agents and give purpose and meaning to embolden such moral agency.

Richard Van Scotter and David Earle transpose the concern for human capital to politics. We have known for millennia – read Plato, Aristotle, Confucius and Mencius – that politics flows from the human personality. As Aristotle said, we are *zoon politikon* – socialized and socializing beings. As our personalities go, so goes our politics.

In the U.S., there is today wide acceptance of the rule that politics is downstream from culture. Thus, our culture war is prelude to political realities. The recent pact between Presidents Putin and Xi Jinping is designed, in part, to elevate and privilege ethnic cultures over universalistic norms of right and justice.

There is a saying, “Be careful what you wish for because you might just get it.” Following Van Scotter and Earle, we might alter that to say: “Beware your mindset, for it may make things worse.”

Reflecting on “mindsets,” one of our fellows, Professor José Luis Fernández Fernández in Madrid, has sent in a letter linking activation at the personal level of best thinking practices will vitalize and, where needed, re-vitalize cultures of democracy.

Stephen B. Young
Global Executive Director
Caux Round Table for Moral Capitalism

A Civic Business

Mary Anne Kowalski

When I was first introduced to the Midwest Active Citizenship Initiative (MACI), we were in the process of developing a plan for passing the business on to the next generation. We built our company on strong civic values and wanted to pass on those values. The principles and practices used by MACI seemed like they would help us achieve our succession goals, but we have since learned that civic organizing, the approach used by MACI, offers us much more. It is making us a stronger, more sustainable company and a company that's fulfilling its obligations as a civic institution in a democracy.

In 2001, we decided to take this commitment forward, focusing on developing a new approach to business governance. This approach is grounded in developing a civic or democratic mindset and exploring the role of citizenship in the workplace. We began our work with two guiding questions: 1) How do we enhance the attributes of "citizen" and blend those qualities into the role and responsibilities of all employees? and 2) How should we change our management structure to allow everyone at Kowalski's to participate, in some way, in the governance of the firm?

The incentive for producing this new approach was related directly to business concerns and a belief in business leadership that draws upon human (capital) capacity. Inspiration for such change came from our belief in a need to understand and develop citizenship as the basis for sustaining democracy as a just system of governance and as the best way to create wealth for the business and its employees/citizens. We imagined that civic development could happen within the context of business.

We began a long process of organizing an internal system of governance grounded in civic principles and standards, not unlike the principles of the Caux Round table. This new system intentionally taught, set expectations for roles and rewarded members who participated as civic leaders and active citizens.



We adopted this “big” idea, even though we were already successful and well regarded. Our motivation and purpose was a commitment to the belief that business can be a place to develop the imagination, capacity and infrastructure needed to produce common good in the 21st century.

There are countless stories from Kowalski’s members about how taking a civic identity has called them to imagine and take responsibility for governing for the common good, both within and beyond the company. Our civic identity has changed how we define our roles in the complex public issues we face in our day-to-day lives, carrying over into all of our places where we spend our time.



In developing this business model, we have provided incentives for innovation, practice and testing. As the company experienced the inevitable failure rate that is always necessary to produce something new, such practice took place in real time, while running a business in a very challenging business sector and climate. We took on a leadership role in MACI, wherein leaders invest time in learning, sharing insights and governing with leaders from other sectors.

All of this provides evidence of our commitment to addressing 21st century challenges with a positive, constructive and innovative approach to leadership, both within and outside the company.

Our new generation of leaders have qualities that reflect what is needed in all sectors, in light of the economic, environmental, social and political realities we face in the state of Minnesota and beyond. Our belief in collaboration as a necessity—not a nicety—leads us to seek out and work with others, both within the business and state. It provides a unique ability to produce and sustain constructive tension between diverse perspectives until common ground is found. Civic organizing has given us the capacity to handle ambiguity and to translate complex ideas into business language without losing their civic intent, providing entry points for others who may not have that same skill. Our “gut sense” of what needs to be done includes a commitment to investing in imagination and training, while providing structure and support during the developmental process.

Today, we believe that Kowalski's serves as a business model for civic governance and policymaking that can be effectively replicated. In fact, the next generation of Kowalski's leaders is already doing so. Kowalski's has become a modern version of a citizenship school for the 21st century—on-the-job training that develops active citizens with greater ownership, accountability and capacity to produce the common good, while meeting business goals. We believe we have accomplished something incredibly difficult, extremely rare and profoundly valuable.

Mary Anne Kowalski is Owner of Kowalski's Markets.

The Elusive Democratic Mind

Richard D. Van Scotter

We Americans tend to worry about authoritarian regimes that have surfaced among several nations and pose a threat to democracies. Hungarian Prime Minister Viktor Orban gave his governing model an Orwellian name: Ill-liberal Democracies. Orban's model is gaining traction across Europe, with movements in Austria, the Czech Republic, France, Italy, The Netherlands, Poland and Romania, writes Ambassador John Shattuck in the Journal of International Affairs, September 17, 2018.

Then, there are potent exemplars of Vladimir Putin's Russia, Recep Erdogan's Turkey and Alexander Lukashenko of Belarus. Here, in the U.S., we witnessed President Donald Trump's attacks on the media and courts, his denigration of migrants and refugees, prompting of racism and assault on facts and truth. Much of this has had an effect on the attitudes of Americans. In 2002, a Gallup Poll found that 23 percent of citizens were "dissatisfied with our system of government and how it works." By 2014, this figure stood at 65 percent and rising. European surveys suggest an even grimmer picture.

None of this should come as a surprise to U.S. citizens, who may be ill-prepared to resist the trend and predisposed to support it. Research on authoritarianism was prompted by the rise of Nazism and Fascism in the 1930s.

Theodor W. Adorno, the German philosopher, sociologist and psychologist, developed the California F-scale in 1947, a personality test to measure the "authoritarian personality." Adorno was brilliant and versatile, as he also was a musicologist and composer known for critical theory on society. The F, or Fascist, scale was designed to measure responses on different components of authoritarianism, such as conventionalism, aggression, anti-intraception (dislike of creativity and imagination), superstition and stereotypy, power and "toughness," destructiveness, cynicism, projectivity and sex.

The F-scale has two principal purposes: to measure prejudice and anti-democratic tendencies at the personality level. Adorno learned that F-scale scores could be directly associated with a person's educational level and intellectual capacity. He discovered that large swathes of the public are prone to absolutism and autocracy.



Theodor W. Adorno

This was followed in the 1960s by investigations into the nature of belief systems and personality systems—or open and closed mind—by Milton Rokeach. He found that dogmatic thinking involves the cognitive configuration of ideas and beliefs organized into a relatively closed system. With the authoritarian personality, there exists less integration of beliefs and discrimination among ideas. This personality type exhibits rigidity in enjoying new forms of music and varieties of food, along with a tendency toward anxiety and a smaller degree of identification with persons outside their own kin.

Such behavior is a result of antecedent conditions that include family background, community norms and educational attainment. It's my experience that study in the liberal arts is associated with appreciation for a variety of experiences and open-mindedness.

I had the good fortune to become acquainted with social psychologist, O.J. Harvey, as a graduate student at the University of Colorado, Boulder. Professor Harvey's research with colleagues at CU and the University of Utah during the 1960s and 1970s dealt with belief systems in personality theory. Belief system refers to a "psychological filter that renders the individual selective in discriminations he or she attends and admits to or keeps out of one's system."

Harvey's theoretical position identifies people along a continuum from concrete to abstract functioning. System 1 individuals exhibit little differentiation or integration among ideas, as with concrete thinking or hard-headedness. At the abstract end, system 4 individuals express complex thinking with more differentiation and integration of concepts. In between with lesser degrees of abstractness are system 2 people with heightened negativity and cynicism. Farther along the continuum, system 3 individuals who, while exhibiting abstractness, are predisposed to manipulating others.

O.J. determined one's belief by administering a series of "This I believe" statements to students and adults in education. The beliefs assessed included: "This I believe about the American way of life; friendship; religion; people; law and order; life after death; marriage; guns; friendship; abortion; compromise; and legalizing marijuana.

The findings are not very comforting for advocates of liberal democracy. Consistent with that of Adorno and Rokeach, Harvey and Associates found within the general population about 50 percent of respondents were system 1 functioning, while only 5-6 percent were system 4. In our current fragmented, divisive, contentious political environment, these positions are hardening.

Harvey did find that as one pursued higher education in the arts and sciences into graduate school, that individual thinking became more complex and nuanced. So, there is a glimmer of hope, but his research took place before the growing emphasis on vocational and technical studies in our universities, accompanied by a decline in the liberal arts.

In the current state, we view democracy in rather simple terms. "Get out and vote" is the mantra, as if every voter is highly informed on the issues. Still, voter suppression has taken different forms over time and is highly active now.

Commentary on The Elusive Democratic Mind by David Earle

The growing strength of authoritarian regimes around the world and the development of authoritarian movements within several western democracies are, indeed, troubling. Consequently, as Richard Van Scotter points out in his essay, understanding the intellectual styles and personality traits that have contributed to these trends could be useful in fostering the development of a democratic mindset.

He argues that a liberal education can help the citizens of democratic nations overcome the intellectual styles and personality traits that enable authoritarian regimes to function. Certainly, democracies work best when their voters can and do understand the complexities of the issues they face and recognize the costs, benefits and trade-offs involved in any decision they make. Education can help accomplish this goal. However, I believe that the success of authoritarian regimes and the appeal of authoritarian leaders and their policies is the result of forces that are basic to the human psyche and often beyond the reach of our educational systems.

Typical citizens in a truly authoritarian state, such as North Korea and, to a lesser extent, in states like China and theocratic Iran, publicly exhibit “authoritarian” personality and intellectual styles for very pragmatic reasons — personal safety, the ability to earn a living, acceptance in the community, etc. It takes unique and courageous individuals to stand up and protest in such regimes. I can’t be too critical of them. They are acting out of a basic human need for security and safety. I can be critical of the leaders of these regimes and their sycophants, who I see as consumed with seeking power and wealth and who are skilled at manipulating their followers.

The reasons for the growth of authoritarian movements in western democracies are more varied and difficult to understand. In the U.S., many Americans supported Donald Trump in 2016 and continue to rally around him in 2022. Their reasons are also varied, but they seem more visceral and emotional than logical. Trump’s most ardent followers seem, to me, to be only marginally concerned with his policies or plans. His core supporters have felt ignored and disrespected by the political elites in both parties for many years and they see Trump as their hero and a person who can restore their status in the community, fight for their values and bring order to and predictability to their lives. (It is worth noting that many Trump supporters have a libertarian bent, but they are more than happy to invoke authoritarian positions on issues that impact their identity and values, e.g., abortion, immigration/border security, election reforms, school curriculums, etc.)

A similar quest for “order” occurs among progressives, who tend to turn to government “mandates” that provide easy answers to complex problems. While progressives often intend to promote fairness, equality or the “common good” through rules and regulations, these rules often come at the cost of individual liberty. When do mask and vaccine mandates, for example, actually become an invasion of privacy? When do the social costs of these mandates outweigh the benefits? Such questions are worthy of debate. But often, progressives take just

as hard and uncompromising positions on issues of importance to them — the words used when discussing race or sexual identity, the use of fossil fuels, gun control, access to abortion, criminal justice reform, etc. — as their rivals on the right take on their key issues.

Thus, at its core, the propensity to gravitate toward hard-line positions and authoritarian leaders is rooted in fundamental human needs for respect, security and power that transcend personality and intellectual skills and even education.

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Commentary on Strengthening Democracy from Moral Philosophy by José Luis Fernández Fernández

According to recent studies, these do not seem to be good times for democracy. To check this out, the interested reader can usefully access this link: <https://www.economist.com/graphic-detail/2022/02/09/a-new-low-for-global-democracy>.

The first thing that stands out is that, as a result of poor, chaotic, improvised and sometimes arbitrary management of the pandemic, civic freedoms have been curtailed throughout the world and that threatens democratic culture. Consequently, the question arises: Is democracy really in danger? And the answer would have to be that, in fact, to a large extent, we do see democracy under threat. However, in any case, we should qualify this statement by complementing it with a more optimistic view. We will leave the catastrophism for the usual prophets of calamities. For our part, trying to conduct ourselves in a responsible and lucid manner, we will end by suggesting an antidote to the threats looming over democracy. We will do so by appealing to a triple proposal, formulated in positive, from an ethical option and in the light of moral philosophy.

Democracy is undoubtedly threatened and in danger. But, fortunately, it is in our hands to ensure that democracy does not end up being a mere memory of the past, an old form of organizing the exercise of power and human coexistence in society, unrecognizable any more outside the manuals of the history of political ideas.

Democracy is not just one of the three possible ways of exercising power in society to organize coexistence. Alongside “government of the people, by the people and for the people,” to quote Abraham Lincoln’s lapidary definition at Gettysburg, there are, on the one hand, monarchy - the power exercised by a single person, *monos*, in Greek - and aristocracy. That is, power exercised by a group of people, precisely the best - *áristos*, in Greek - from among the citizens.

Since the time of Aristotle, we know that, along with those pure forms, we can find as well their degraded versions. Such is the case when monarchy degenerates into tyranny; when aristocracy becomes oligarchy; and when democracy is corrupted until it becomes what the Greek historian Polybius, already in the second century B.C., called *oklocracy* or the government of a crowd - *oklos*, in Greek - uneducated, vulgar, incapable of thinking for itself and, because of that, easily manipulable.

There is no chemically pure model, beyond the theoretical analysis from political philosophy. On the contrary, in every government, there is inevitably a mixture of planes which, in the end, is what gives viability and stability to regimes. Even if they are not so called, monarchical - and often tyrannical - elements are always identified, since someone, normally a single person, is usually placed at the top as head of state. The aristocratic - or, as the case may be, oligarchic - aspect is provided by those who make up the management apparatus, in its varied institutional cast: civil servants, legislators, political parties... And, as a necessary substratum of the institutional framework, there would be some kind of democracy: without sufficient support and a minimum legitimacy, the political system would end up being unviable.

Democracy can only take root, develop and flourish in the framework of the right ecosystem. In addition to the possibility of bloodlessly removing leaders through the free election of representatives, democracy requires at least the following: an effective division of powers; a free and competitive market; the rule of law in the functioning of the state; and, above all, shared ethical values that support inalienable human rights in the always open process of improving relations between people in society.

What are the facts of the problem, what is democracy's X-ray? Roughly speaking, the panorama offered to us - from a strictly democratic perspective, that is, leaving aside other geostrategic, health and economic considerations - could be summed up in the following terms: civic freedoms in retreat; polarization, authoritarian dogmatism and intolerant fanaticism, which sees the adversary as the enemy; the not very remote possibility of the emergence of a technocratic, controlling, statist and cyber-totalitarian dystopia; generalization of confusion, distrust in institutions and apathy, a prelude to civic abstention; installation in broad layers of the citizenry of a kind of gnoseological skepticism - where the first of the questions that, according to Kant, philosophy should answer, is answered with a disenchanted "we know nothing with certainty" - and moral relativism, which seems to be willing to accept in practice the slogan that "there is no difference between good and evil." These two latter features are probably due to a paradox: assuming as true the fallacious ideology of post-truth which, logically speaking, destroys itself by affirming that "it is true that there are no truths." Besides that, this logical inconsistency is reinforced from the media and by social networks through which incredible hoaxes -from a theoretical perspective - and fake news, very dangerous - from the practical point of view - are channeled.

What can we expect, we would ask again with Kant. And the short answer is: Nothing good! But to open a door of hope, let us complete the sentence: *Nothing good can be expected, unless we take action decisively and decide to confront the threats that are endangering democracy!*

The antidote may already be in our hands, but it will require an even greater effort than that deployed to fight COVID-19. Developing the theoretical and practical vaccine in favor of democracy will not be an easy task. Nevertheless, formulated, as an exercise of responsibility, from the standpoint of moral philosophy, these could be three essential axioms to guide the process of democratic regeneration: first of all, to strengthen rationality and critical thinking; secondly, to commit to the centrality of the person and humanism as the ends to which all socio-political and economic dynamics must be directed; and, thirdly, to recover the explicit option for axiology and moral values. They constitute the points of reference towards which to advance, in search of orientation, towards the attainable utopia of equitable and sustainable economic development, together with just social progress, capable of humanizing life and allowing the soul and the spiritual, that is, what is most intrinsically human, to flourish.

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