

Chapter 9

The Governance of Leadership II: Analysis**§ 1. The Enterprise Context****§ 1.1 The Enterprise of Enterprises**

We have from chapter 8 that *leadership governance* is the management of the leadership dynamic occurring in an organization. The *Realerklärung* of *management* is: the entirety of activities aimed at stimulating the leadership dynamic and then guiding and shaping the courses of all subsequent actions such that these actions accomplish the aims and meet the purposes of the organization. The activities, not the persons, constitute management; the persons are merely those called the managers and management is their labor of enterprise. The manager is at times a leader, at times a follower, and always held to an expectation of authority by others in the organization by dint of the title he holds. In this chapter we will be concerned with the practical issues of human nature affecting the success of leadership governance.

Every enterprising organization, regardless of whether its leadership governance is organized under republican or plutocratic principles, is a community of individual enterprises. At the root of each is the simple fact that each person in it is ultimately "in business for himself." Thus, the point from which to seek practical objective validity in principles and precepts of leadership governance is with the Critical analysis of the idea of the Enterprise of enterprises. Prudence dictates that we begin by being clear about what we are to mean by the word *enterprise*.

Webster's Dictionary provides four definitions:

enterprise, *n.* [Fr. from *entreprendre*, to undertake; *entre*, in or between, and *prendre*, to take; *prise*, a taking.]

1. an undertaking, a project.
2. a hard, bold, dangerous, or important undertaking.
3. willingness to venture on such undertakings; readiness to take risks or try something untried; energy and initiative.
4. the carrying on of projects; participation in undertakings.

Syn. – adventure, undertaking, venture.

We will presume the individual enterprises of the persons involved are important undertakings for each such individual. Each commits himself to his undertaking for a personal reason and this reason grounds everything consequential in the undertaking itself. Ultimately this reason will be grounded in obligation, either to himself alone or to himself reciprocally with others to whom he has bound himself (e.g. his family members). The specific nature of his enterprise then is defined by his self-assumed duty or duties. If the purpose served by the duty is economic in nature, then

his is a *commercial* enterprise. If the purpose has the form of patriotic obligation then it is a *civic* enterprise. If the purpose is based upon some moral precept, regardless of whether this moral precept stems from consequentialist, virtuous, or deontological ethics, then we will call this a *morality* enterprise. If the purpose stems from concepts of a political philosophy or pseudo-philosophy in the usual historical contexts of government, we will call this a *political* enterprise. If the purpose is based upon the enjoyable consumption of leisure time, it is a *leisure* enterprise, and so on.

The common factor in all of these is contained under the general idea of purpose. The diversity of different types of enterprises stems from the variety of different purposes. It is enough for the purpose of this treatise for us to examine the common factor basis, and for doing this we will need some specific illustrations *in concreto* because the general object, being a *noumenon*, can only be exhibited by examples and never as the general object *per se*. Because the commercial enterprise is by far the most common type with which the most people have experience, we will draw most of our examples from that species of enterprise, but the principles produced by our analysis are required to be practically general and applicable to other types of enterprises.

The common Enterprise is the civil context for the idea of the conjoint effects of all the individual instantiations of personal enterprise activities carried on by the associated group of people. Put another way, the Enterprise is the Object of the *collective unity* of all the individual enterprises. The idea of this Object is what allows us to call the aggregate of involved individuals a group of associated members of a *community*. It is to provide a convenient means of keeping the Object concept distinct from the concept of the individual enterprises that we denote the common Object as the Enterprise (with a capital E). The practical *Existenz* of the Enterprise is the *Existenz* of what Critical metaphysics calls an *Unsache*-thing (a "happening"). Therefore, the appropriate dictionary connotation for the Enterprise is *united participation in an undertaking*. We understand this participation to mean the entirety of the participations of all the members of the community. Objectively, then, the Enterprise is this entirety of participations and this explanation is the Critical *Realerklärung* for what any Enterprise is. Any other usage of this term is merely a homonym expressing the idea of something else.

§ 1.2 The Effect of the *Existenz* of a Social Contract on the Nature of Enterprise

The manner of *Existenz* of a social contract directly conditions the social-natural *Existenz* of any Enterprise. We may analytically divide the characterization of the social contract in terms of two polar extremes: (1) the unstated social contract; and (2) the formal social contract. Contained

between these polar opposites we find other manners of *Existenz* for the social contract differing only in the degree to which the contract tends towards one or the other of the polar extremes. Thus any particular social contract not lying at one or the other of these extremes is a synthesis of these two.

In the utter absence of any specific social contract, the organization is wholly thrown back upon the divers presuppositions of its associates. Each will make his own presuppositions. He will either believe uncritically that the other members hold to these same prejudices or, when experience gainsays this belief, he will adopt the personal maxim that those who have evidenced that they do not nonetheless *ought to* hold to the same social contract precepts as he. He will also hold, to some degree, that those who do not somehow or in some way betray the association and their fellow members. Note that these are moral judgments arising from his personal moral code.

It is in this way that incidents that might have resulted in nothing more than the tension of disagreement can instead take the frustration form of internecine enmity within the association. If such frustrations become widespread within the association one possible and not uncommon outcome can be the organization homologue of civil war. If the association faces competition from other entities, or if its continued survival depends upon satisfying the expectations of whatever the organization's homologue of customers might be, such an outcome can be likened to the specter of an army that simultaneously faces an opposing army in the field while waging a civil war within itself. The ultimate consequence for the association in a case such as this is too evident to require discussion here. Sun Tzu wrote,

But when the army is restless and distrustful, trouble is sure to come from the other feudal princes. This is simply bringing anarchy into the army and flinging victory away. –
Sun Tzu, *The Art of War*, III.16

The ground in mental physics for this predictable social-natural characteristic of associations is merely the process of judgmentation. The practical ground for the origin of presuppositions is the dictate for equilibrium in pure practical Reason, and equilibrium is satisfied only by experiences that do not gainsay the legislation of the individual's manifold of rules. Theoretical ideas in the manifold of concepts are under the regulation of the dictate of practical Reason through ratio-expression and *are made to conform* to the legislation of the manifold of rules. This gives rise to a behavioral phenomenon long known in developmental psychology and called by Piaget the *moral realism* of the child. Piaget wrote,

We . . . shall speak of *moral realism* to designate on the plane of judgments of value what corresponds to "nominal realism" and even verbalism or conceptual realism on the plane of theoretical reasoning. Not only this, but just as realism in general . . . results both from a confusion between subjective and objective (hence from egocentrism) and from the intellectual constraint of the adult, so also does moral realism result from the intersection of

these two kinds of causes.

We shall therefore call moral realism the tendency which the child has to regard duty and the value attaching to it as self-subsistent and independent of the mind, as imposing itself regardless of the circumstances in which the individual may find himself.

Moral realism thus possesses at least three features. In the first place, duty, as viewed by moral realism, is essentially heteronomous. Any act that shows obedience to a rule . . . is good; any act that does not conform to rules is bad. A rule is therefore not in any way something elaborated, or even judged and interpreted by the mind. . . . The good, therefore, is rigidly defined by obedience.

In the second place, moral realism demands that the letter rather than the spirit of the law shall be observed. This feature derives from the first. . . .

In the third place, moral realism induces an objective conception of responsibility. We can even use this as a criterion of realism, for such an attitude towards responsibility is easier to detect than the two that precede it. For since he takes rules literally and thinks of good only in terms of obedience, the child will at first evaluate acts not in accordance with the motive that has prompted them but in terms of their exact conformity with established rules. Hence this objective responsibility of which we shall see the clearest manifestation in the moral judgment of the child. – Piaget, *The Moral Judgment of the Child*, 5

By age 12 to 15 years the child comes to "grow out of" the simplemindedness of this initial moral realism as the effects of socialization with his peers occur. Piaget calls this *cooperation*. Nonetheless, mental physics tells us that the same process of judgmentation that produces moral realism in the child is also at work in the adult, with the only significant factor difference being the ever-greater role abstract ideas in the manifold of concepts play in the process of judgmentation. There are always lingering traces of moral realism present in the judgmentation of adults, especially in those types of experience that are new for the individual. When these are encountered in adulthood, the theoretical moral judgments the individual has formed tend to be placed high up in the structure of the manifold of concepts and, consequently, have a very potent effect on subsequent judgmentation in situations involving a high degree of tension.

Piaget goes on to tell us,

Two distinct levels of activity are to be distinguished in moral thought. First, there is effective moral thought, "moral experience" which is built up gradually in action as the subject comes in contact with reality and meets with shocks and opposition. It is that which leads him to form such moral judgments as will guide him in each particular case as it comes his way and enable him to evaluate other people's actions when these concern him more or less directly. And there is also theoretical or verbal moral thought, bound to the former by all kinds of links, but as far removed from it as is reflective thought from immediate action. This verbal morality appears whenever the child is called upon to judge other people's actions that do not interest him directly or to give voice to general principles regarding his own conduct independently of his actual deeds. – [*ibid.*]

This finding of Piaget's is congruent with the implications of mental physics. Morality is the logic of actions just as logic is the morality of thought. It is particularly important to take note of the bipartite structure of moral judgmentation here, namely the practical built up from experience and

the theoretical built up from intellectual reflection and logical reasoning. Of the two, the former is primary. Socialization and the individual's experiences in social interaction play a key role in this and, later, in the conceptualization of theoretical morality. Piaget goes on to say,

We see, therefore, how the spontaneous moral realism of the early years, while it dwindles progressively with regard to the subject's own conduct, may very well develop elsewhere, first in the evaluation of other people's actions, and finally in reflection concerning purely theoretical cases involved in stories, in histories, and in social myths in general. . . . But as we are speaking here only of the child we may confine ourselves to the conclusion that moral realism does correspond to something effective and spontaneous in child thought. . . . During this purely external phase, the most rigorous moral realism may very well go hand in hand with what seems to be the laxest and most egocentric practice.

. . . Moral realism seems to us to be due to the conjunction of two series of causes – those peculiar to the spontaneous thought of the child (childish "realism"), and those belonging to the constraint exercised by the adult. But this conjunction, far from being accidental, seems to us to be characteristic of the most general processes of child psychology as they occur in the intellectual as well as in the moral domain. For the fundamental fact of human psychology is that society . . . becomes crystallized almost entirely outside of the individuals. In other words, social rules, as Durkheim has so powerfully shown, whether they be linguistic, moral, religious, or legal, etc., cannot be constituted transmitted, or preserved by means of an internal biological heredity, but only through the external pressure exerted by individuals upon each other. . . .

As a result of this we have three processes to consider: the spontaneous and unconscious egocentrism belonging to the individual as such, adult constraint, and cooperation. But – and this is the essential point – the spontaneous egocentrism of the child, and the constraint of the adult, far from being each other's antithesis on all points, so far agree in certain domains as to give rise to paradoxical and singularly stable compromises. For cooperation alone can shake the child out of its initial state of unconscious egocentrism; whereas constraint acts quite differently and strengthens egocentric features – [*ibid.*]

Substitute "authority figure" for "adult" in the quote above and you find the considerably more complex situation encountered in adults' experiences with organizations. Those practices usually mislabeled authoritarian leadership, far from promoting teamwork and cooperation, instead work directly to reinforce egocentric and individualistic maxims of action. This opposes synergy, riveting self-determinations to "me" rather than "us." Piaget concludes with,

In short, moral realism seems to us from this point of view to be a natural and spontaneous product of child thought. For it is not nearly so natural as one would think for primitive thought to take intentions into account. The child is far more interested in the result than in the motivation of his own actions. It is cooperation which leads to the primacy of intentionality, by forcing the individual to be constantly occupied with the point of view of other people so as to compare it with his own. – [*ibid.*]

So, too, it is with some adults and especially so when powerful social factors, such as precepts of a person's religious affiliations, promote the objective biases of childish moral realism.

Associations with no common mores consented to by its community (aside from those that operate in the larger society in which they are embedded) will be subjected to an anarchy of diverse moral views held by its membership. This can only make follower actions in response to

tension-producing provocations less predictable and make successful leaders' actions more difficult to achieve. Some present day writers and theorists are currently engaged in discussions, debates, and forums on the practicality and even the desirability of "moral leadership" in organizations. Mental physics tells us this debate is largely empty. In every association leaders' actions *are* going to be held in a moral context by followers. It is simply not a question of "moral" vs. "amoral" leadership; the only question is whether the leadership dynamic will function (1) in a united context of a common understanding of a system of Enterprise mores or (2) in an anarchy of moral contexts reflecting the divers deontological codes of the members. A *system* of Enterprise mores comes from nowhere else than an *explicit* social contract.

There have been large and successful Enterprises – the Hewlett-Packard Company and IBM are both examples – where a more or less explicit social contract was in conscious operation. In the case of HP this was set out in seven Corporate Objectives that all employees were reminded of on a more or less irregular basis. Much the same appears to have been the case for IBM under Watson. In the case of HP, these were never described as corporate mores but that was implicit in what was known as The HP Way. A similar situation appears to have been the case for what your author has dubbed The IBM Way.

Unfortunately for both Enterprises, the difficulties of *maintaining* these mores against the backdrop of the larger society's influence seem to have been badly underestimated. The HP Way died the harder of the two; it took the actions of a predatory CEO "superstar," Carly Fiorina, to demolish the moral infrastructure it provided and throw that Enterprise into the mold of a disintegrating plutocracy. In the case of IBM, evidence suggests that something similar took place after Watson's retirement. Maintenance of a social contract and the system of mores it provides is not easy, much less automatic. No matter how well institutionalized it might be at any time in an Enterprise's history, it is necessary to *actively* maintain this institutionalization.

In this regard it is pertinent for your author to share the following with you. During his time with HP, when your author held manager positions in that Enterprise, one of his tasks was the hiring of new employees. It was his constant practice during the interview process to conduct what is technically known as a "behavioral interview" with the prospective candidate. Your author always made probing to gauge the responsiveness of the candidate to the Enterprise mores of the company a part of this process. He had one hard maxim: If the candidate did not appear to take the importance of a system of corporate mores seriously, he did not get hired regardless of whatever other fine qualifications or skills he exhibited. Your author would not hire anyone who appeared to him likely to be an outlaw within the corporation's community. This is still his hiring practice first principle today.

§ 1.3 The Concept of the Entrepreneur

Webster's Dictionary defines entrepreneur as

entrepreneur, *n.* [Fr. from *entreprendre*, to undertake.] one who organizes and directs a business undertaking, assuming the risk for the sake of the profit; also, the originator or manager of public entertainments, or of a musical enterprise.

It would not be surprising if the first English-speaking person to use this term in a business context did so with the intent to aggrandize the courage of the richer of Adam Smith's class of "masters," emphasizing the "risk-taking spirit" of those who founded their own businesses and "provided jobs for people" who, by implication, are thus less courageous souls. Two things ought to be noted here. First, glorification of meeting the widespread need of most people to accept job positions under the direction of another person, which is the presumption that underlies extolling the social good of "providing jobs," was the product of, not the cause of, the Industrial Revolution. No one previously extolled any virtues attending a feudal baron's practice of allowing serfs to live on his land and, through their labors, provide him with the bulk of his income. Adams and Vannest wrote,

The factory system in itself had many effects. The household system required practically no capital. A shoemaker, for example, could work in his own house, or as he frequently did, at that of his customer, with a few simple tools and the leather for a pair or two of shoes. The shoe factory calls for the outlay of capital for buildings, machinery, large stocks of material, and credit to customers. Only those who have a fair amount of capital already can start such an enterprise. But, when started, they can far undersell the individual shoemaker. Even the early machine for making shoes could turn out 600 pairs a day.

The individual craftsman thus found himself in many lines unable to compete with the capitalist manufacturer, and had to become a worker in his factory, whilst the capitalist made more capital rapidly by use of his machinery. The shoemaker saw his customers buying the cheaper machine-made shoes and had little choice but to become a wage earner instead of having his own little trade. The hours he would have to work, the wages he would get, the conditions in the factory would all be beyond his control unless all the workers were so organized as to be on equal terms with the capitalists in bargaining.

Before the machine age began, almost all Americans had enjoyed or had the chance of enjoying a reasonable degree of economic independence. The rise of the mill, the factory, and the great industrial plant meant the simultaneous rise of a great class of workers who in time would become dependent on the wages allowed them by capitalists or corporations. – Adams and Vannest, *The Record of America*, IV ii.1

It should be noted that Adams and Vannest misuse the label "capitalist" in this passage, as indeed do most people today. By Adam Smith's definition, "capital" is any stock of goods a person has that is in surplus of his immediate consumption needs and is available to invest. Anyone who does so invest is a capitalist. A ten-year-old paperboy who deposits twenty-five cents a week in a savings account at a bank is every bit as essentially a capitalist as Andrew Carnegie or George Pullman. Your author has never owned a manufactory but has been a

capitalist since he was a boy. Furthermore, a capitalist who invests all the capital he has and then turns to borrowing to finance his enterprise is no longer a capitalist; he is a debtor – which is to say he is a financial serf for so long as the debt is unpaid. Those who Adams and Vannest call "the capitalists" should, using proper social-natural economic terminology, be called the founders of an association. Nonetheless, their main point is well-taken; namely, that it was the economic circumstance brought about by the Industrial Revolution that was responsible for the majority of people being compelled to become wage earners rather than independent businessmen. Thus, it is mere self-aggrandizement and vanity for a founder to extol as a virtue the mere fact that his personal commercial success depends upon satisfying an economic necessity he faces of hiring other people to help him in his enterprise. If he wishes to succeed, he is not at liberty to refuse to do so. There is no virtuous merit in doing what one is compelled by circumstances to do.

Secondly, "providing jobs" is not the reason a person chooses to undertake being the founder of an association. There are many reasons for doing so, and often any particular founder has more than one. Dave Packard, Bill Hewlett, Barney Oliver, and Ed Porter were close friends who wished to carry their friendship forward into the economic teeth of the challenges of the Great Depression, and were encouraged to do so by their teacher, mentor, and friend, Dr. Fred Terman of Stanford University. Their Enterprise became the Hewlett-Packard Company. To hear Packard tell it, one might get the impression HP was more the outcome of an argument along the lines of "there weren't really any jobs to be had during the Great Depression so we had to make our own," but your author has long thought that, while the Depression was an important factor, it was in the end little more than an excuse for these men to do what they wanted to do anyway. Some people despise the stigma, which they create for themselves, of having to take orders from someone else. Your author's father was such a man. Some, like Andrew Carnegie, foresee an emerging opportunity and have the self-confidence to simply seize it. Others feel they have more ability and acumen and would be better off charting their own course than following the lead of others. The point is that undertaking to found a business is almost always for selfish, not social, reasons¹.

The same is true for the enterprises of wage earners. At root, the enterprise one engages in is grounded in self-determined obligations to oneself and to those others to whom a person has bound himself in affection and other reciprocal relationships. If a wage earner has less "at risk" than a founder who invests capital in fixed assets, it is usually because he has less to risk and has not thought of any more lucrative reason to risk whatever capital he might have. Even so, his

¹ There are a very few exceptions to this. In almost all of these rare cases, the underlying duty moving the founder(s) is a reciprocal duty and grounded in a founder's tenet of moral obligation. Here the continuation of the organization after the days of its founder(s) rests on whether his successors also actually hold to that same tenet of moral duty. If they do not, an Enterprise will change its essential character to something else.

capital is never entirely removed from the shadow of risk. If he loses his job what capital he has can very quickly turn from capital into consumption stock. So much for the 19th century myth of "the entrepreneur." *Every* person who commits himself to *any* business undertaking is an entrepreneur and it is merely a matter of relative scale to say one person is "a bigger entrepreneur" than another.

§ 2 Judicial Factors in Expectations of Entrepreneurs in an Enterprise

There are few Andrew Carnegies, David Packards, William Hewletts, J.R. Simplots, Warren Buffets, or Bill Gates' in the world – which is to say there are relatively few founders whose success is of such a magnitude as to bring a degree of fame to them. For every one of them there are uncounted others whose accidents of experience never led to monumental riches or notorious celebrity. What, then, is the basic human nature relevant to those individual enterprises that coalesce to compose larger organizations? To apprehend this, we reference chapter 5 and the motivational dynamic. Percepts provide the experiential raw *materia* of precepts arising from the consequences of the organization and regulation of the motivational dynamic, and these are adjudicated by the process of reflective judgment. In this process there is an aesthetical division (aesthetical reflective judgment) in composition and a teleological division (teleological reflective judgment) for *nexus* of form in reflective judgment. The 2LAR structures for each are illustrated in figure 9.1 below.

The fundamental acroam of reflective judgment is the principle of formal expedience: all acts of reflective judgment legislate for formal unity in Nature according to the expedience of representations for the categorical imperative of pure practical Reason. Acts of aesthetical judgment adjudicate the acts of understanding (*Comparison*, reflexion, and abstraction) in the synthesis in sensibility, and its products are feelings of *Lust* and *Unlust*. Its acts lead to the first formation of beliefs and to later questioning of beliefs. Its judgments pertain to satisfaction, to affirmation and denial, to the anticipation of value, and to empirical judgments of expedience for happiness. The synthesis of aesthetical judgment is the synthesis of matters of desire.

If one wishes to think of human affectivity as the "touchy-feely" aspect of human Nature, aesthetical reflective judgment is the "feely" part of the process. Teleological judgment would be likened to the "touchy" aspect of being human. Its acts of judgment pertain to motoregulatory expression in specific physical actions and to forms of desiration (the *nexus* of desires). The joint acts of teleological and reflective judgment produce the manifold of Desires in affectivity. Its specific judicial acts pertain to the making of extensive implications (of sensorimotor schemes, of contexts, and of objects), intensive implications (tendency, repugnancy, and significance), and to

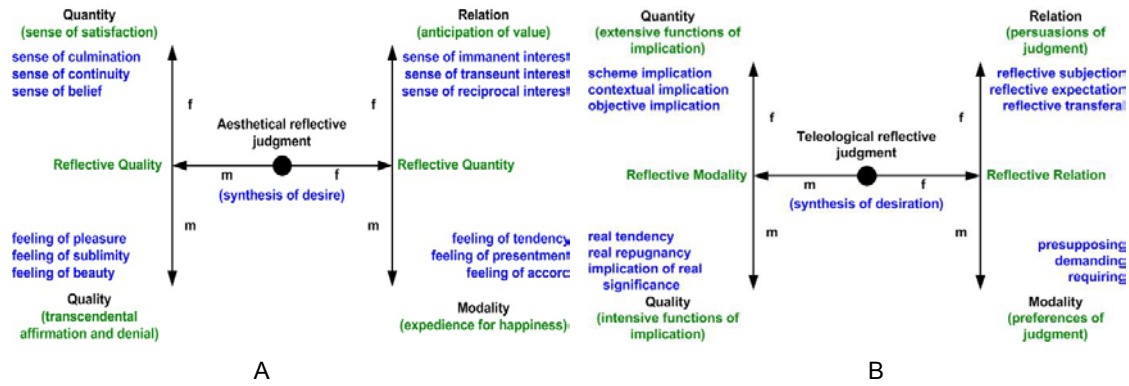


Figure 9.1: Reflective judgment presented by its 2LARs of aesthetical and teleological judgment. A: Aesthetical reflective judgment; B: teleological reflective judgment. Aesthetical judgment is the matter of reflective judgment, teleological judgment the form, in the 3LAR representation of reflective judgment.

that *nexus* in affectivity we call persuasions and preferences. Its judgments are correctly described as impetuous and are moderated and modified by the veto power of practical Reason during the determination of appetites.²

Reflective judgment itself understands no objects and works for no specific purpose other than judging empirical happiness (the promotion of life) or unhappiness (the hindering of life) as expedience for the dictate of the categorical imperative to seek *Existenz* in a state of equilibrium. The acts of reflective judgment are quite primal in character, and to apprehend their significance for our topic at hand, we must look at the character of the self-determinations to which they lead.

One of these is a preference for what we called *satisficing behaviors* in chapter 5. Impetuous teleological judgment imposes specific coordinator functions of behavior on new situations and circumstances as it attempts to assimilate these in what is already familiar to the person. A way in which a person manifests this is by the development of rituals he more or less automatically repeats for the sake of the ritual. Another is the development of set habits, both of externalized actions as well as in habits of thinking. In service of these, he will also frequently engage in the practice of ignoring things that don't fit in with his ritualistic schemes or his habits, and this is what mental physics calls *ignórance* (pronounced "ig-NOR'-ance"). The only way for a person to counteract this natural preference of desiration is for him to learn to develop a *habit* of what we might call "taking a second look" at situations, circumstances, and apparent facts *to the point* where this habit itself is made ritualistic. Habitual behavior can only be countered by stronger, more generalized habits. This, however, only takes place if the individual experiences tensions by having his habitualized schemes and reactions thwarted, which is to say having his expectations and anticipations for the ritual or the habitual behavior contradicted by real outcomes. Mere

² For the more detailed technical explanation of the functions of reflective judgment consult *Principles of Mental Physics*.

tension, due to *uncertainty* of what results might occur, is not sufficient for this. The *inexpedience* of the habitualized behavior must be affectively *demonstrated*.

Closely allied to this are natural preferences for predictability and an accompanying aversion to change and uncertainty. Predictability serves the maintenance of equilibrium, and a sense of predictability is the by-product of anticipation the development of cycles of behavior makes possible. Ignórance enters into this as a factor as well because that which is contrary to anticipation but can be successfully ignored does not rupture the preferred cycle of behavior. A high enough degree of tension, on the other hand, sets up a feeling of *Unlust* that ruptures the cycle with an accompanying attempt to set up a new cycle negating the judgment of inexpedience that occurs. If such a new cycle is easily established (because it fits in with some other behavioral scheme already in place and needing only relatively slight accommodation in order to assimilate the contrary factors in experience), the stimulating affectivity was mere tension – perception of a simple lack rather than a wholesale inadequacy in the individual's repertoire of behavioral and intellectual schemes for dealing with circumstances. Unpredictability, on the other hand, produces strong appetites of repugnancy, a sort of desperation in reevaluation, and a motivational dynamic that leads to major accommodations in the individual's manifold of practical rules.

Here the impetuous nature of teleological judgment is a major factor in determining what sort of practical accommodation will be made. The motivational dynamic will seek the first expedient resolution to the situation the person can find and will strongly fixate on that expediency. This is the real ground for what many often disparage as "the quick fix." It is of no use whatsoever for another person to preach to an individual against adopting "quick fixes"; the propensity for preferring them is innate in the nature of the process of teleological judgment. Only the experience-driven development of mental habits – practical maxims of thinking – driven by the manifold of rules, through ratio-expression, can counteract reflective judgment's impetuosity for preferring "the quick fix." This is the root essence of that intangible something educators are referring to when they speak of the development of critical thinking skills. Platonic habits of thinking in actuality only serve to support the persuasions of ignórance and not the development of *practically valid* critical thinking. Platonic maxims and theories are nothing else than intellectual quick fixes and produce non-robust equilibrations. They produce the universally praised and equally universally unpracticed ideals with which humankind is so familiar and which Sandburg might have lampooned with the lines:

From Illinois and Indiana came a later myth
Of all the people in the world at Howdeehow
For the first time standing together:
From six continents, seven seas, and several archipelagoes,

From points of land moved by wind and water
 Out of where they used to be to where they are,
 The people of the earth marched and traveled
 To gather on a great plain.

At a given signal they would join in a shout,
 So it was planned,
 One grand hosanna, something worth listening to.
 And they all listened.
 The signal was given.
 And they all listened.
 And the silence was beyond words.
 They had come to listen, not to make a noise.
 They wanted to hear.
 So they all stood still and listened,
 Everybody except a little old woman from Kalamazoo
 Who gave out a long slow wail over what she was missing
 because she was stone deaf. – Carl Sandburg, *The People, Yes*, 2

The re-presentation of concepts from the manifold of concepts is enfolded into the manifold of Desires by acts of reflective judgment. In reflective judgment there is a natural affinity for objectifying feelings by associating them with Objects. This underlies objectified Desires and provides the motivational dynamic with the capacity for marking intuitions. These attract the centering of attention, push objects of ignorance into the cognitive shadows, and bias the direction given to the energetics of action. The manifestations of this appear in the development of passionate likes and dislikes, passionate objectifications of rightness and wrongness, and in a tendency and persuasion to fixate one's attention on personal contexts, into which the person places situations and circumstances. The formula of the categorical imperative of pure Reason also makes expedient the tendency to over-generalize theoretical and speculative principles and to attempt to apply them beyond the horizon of the concrete contexts in which they were initially determined. This, in turn, promotes a tendency to set unrealistic expectations as well as a strong tendency to speculatively endow or impute meanings to things that other people do not at all "read" into a given situation or circumstance. Affectivity cooperates with ratio-expression to drive cognition through the expedience of inferences of ideation, inferences of induction, and inferences of analogy.

All of these are judicial factors in the dynamic of leadership. They are factors with which a wise leader must become familiar if his leader's actions are to have the effects he seeks.

§ 3 Deontological Expectations of Entrepreneurs in an Enterprise

Now let us examine the implications all of this has for the phenomenon of leadership in the context of how the organization and governance of leadership affects behaviors. Underlying whatever objectified ideas and intentions individuals in an organization hold are the deontological

expectations of practical Reason crafted by the individual and structured into his manifold of practical rules. Seeing the Enterprise as an Enterprise of enterprises, would you have others allied with you in the Enterprise? Would you have them be entrepreneurs? Would you have yourself be one? If you and they are to act so, there are deontological expectations of a general nature people's experiences within the Enterprise must meet and satisfy. Successful governance of leadership must recognize these. As Sun Tzu said,

If you know the enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle. – Sun Tzu, *The Art of War*, III.18

"The enemy" in our present context is the misgovernance of leadership.

The first precept in leadership governance is this: *Every participant in voluntary association with others participates in order to fulfill duties to himself*. He joins with others in the organization because he judges that the realization of this fulfillment is better served through alliance with others than it can be by himself acting independently. Whether this alliance is a weak one (a mere affinity barely distinguishable from what could properly be called a co-conspiracy) or a strong one (one bound by a real sense of community in Enterprise) will depend first of all upon the either tacit or explicit social compact as he *conceives* it to govern the organization. The stability of the association depends upon the degree in which the plurality of individual conceptions of this held by the membership are mutually compatible and the degree in which these conceptions are contrary to one another. Both friendship and enmity within the association turn upon the relationships among these concepts as the different members hold them.

It is not objectively valid to presume that there is any one absolutely common concept of duty that binds the membership of any but perhaps the very smallest organizations. All duties are self-determined, can never be imposed upon one person by another, and, deontologically, are products of the life experience of the individual. It is true that some specific species of duties are found more often than others. For example, in an economic association perhaps the most frequent purpose pursued by the majority of members is, as the phrase puts it, "to make a living."

We should note that this is not the same thing meant in the phrase "*earn* a living." Most people, acting under the impetus of their private moral codes, will generally hold that whatever profit they derive personally from their participation is a profit they have "earned." "Earn" is an ethical term and, as such, its interpretation by the individual is grounded in whatever particular moral tenets he makes for himself. What I hold to be the greater part of the profits I *earn* from my enterprise, Marx and Engels would hold to be profits I have appropriated by *exploitation* of others because they are the fruit of my unproductive labors of investment and money-lending. In their

Hegelian fantasy world it is held morally repugnant to adopt a maxim that more or less says, "If someone is foolish enough to want to give me his stock for less than what he could get for it, I will take it." Yet no one ever sells a stock or issues a bond except that he judges he will be better off for having done so. No one buys a stock or a bond except that he makes this same judgment. I think it is strange, and foolish, that bankers are so eager to give me use of their capital at no cost to me for thirty day periods month in and month out year after year. But since I am pretty certain they are hoping I'll not pay off my credit card at the end of every month nor pay attention to the loan-shark interest rates they would then charge me, I lose no sleep over "exploiting" their largesse. My relationship with them is a limited state-of-nature relationship and is limited only by the customs and laws of the greater society we live in. It is merely a question, within these limitations, of which of us is the more successful *civilized* economic predator.

Most people feel uncomfortable – and many are actually offended by – such a blunt tenet as your author has just expressed. Its attitude is contradictory to a number of theoretical moral tenets of many ontology-centered moral codes different people make for themselves. Kant would have certainly objected to the tenet on the grounds it could never be a universal moral law: if everyone did as I do, the free lunch would dry up very quickly and bankers would all charge "annual fees" for each credit card they issued provided the law permitted them to do so. Even so, all objections of this sort are irrelevant. There is no universally valid ontology-centered moral law of nature. All social mores, in whatsoever species of community, are products of convention and consent. This holds from the most "sinister" forms of association to the most "benevolent." It is merely a question of what forms of associations individuals are willing to join and what sorts of compacts they are willing to freely enter into. To desire a universal moral convention does not contradict human nature but to expect *easy* success in establishing one, in the face of the vast diversity of individual human circumstances, has always been a impractical wish on this side of Utopia. Consider this caricature of a sinister community by novelist Taylor Caldwell:

But what caught Joseph's interest at once was not so much the decrepit and ugly and polluted atmosphere of the rooms as the inhabitants of them. He saw at least fourteen men there, and not one was over forty, the youngest being in his early twenties. However, they had various things in common, so that they seemed of one family, one breed, one blood and mind. They were all tall, slender, elegant and deadly and dispassionate, and their faces were as unreadable as his own. They were richly dressed, though they had discarded their long coats because of the heat. All wore fawn or gray or discreetly plaid pantaloons, and their immaculate white shirts were ruffled, their cravats smooth-folded perfection, their waistcoats beautifully embroidered, with watch chains across their lean middles; their fluted cuffs showed no stain or gritty deposit. Their jewelry was most decorous, unlike that of the flamboyant Mr. Healey, yet obviously expensive, and their black boots were brilliantly buffed and narrow. Their figures were figures of gentlemen, or actors, and they moved with the sure grace, restrained and economical, of the professional assassin. . . . Handsome though they were, and smooth and polished, they exuded cold menace. Joseph

recognized them as the sort of quiet men who had waited in the depot at Wheatfield, the men who had been pointed out to him as gamblers and other unscrupulous men who lived by their wits. . . .

Joseph was to learn later that none of these men ever questioned or doubted Mr. Healey's decisions or wisdom, or ever protested or ever ridiculed them privately. He ruled them absolutely not because he was rich and potent and their employer, but because wolves themselves, they recognized and honored a more puissant wolf who had never, as yet, made a mistake. Had they once discovered a weakness in him, a hesitancy, a stupid blunder or an uncertainty, they would have pulled him down and destroyed him utterly. Not from malice or greed or thievery would they have done this at once, and instinctively, but because in his self-betrayal he had betrayed the pack and endangered them. He would have no longer been master, and for abdication they knew but one remedy: execution. – Taylor Caldwell, *Captains and the Kings*

"Earn" is, deontologically, a subjective notion; it has no objectively valid universal context except within the context of a social contract. "Make a living" is a practical purpose. And yet even this practical purpose, while objectively valid, is not a universal purpose. Once an individual has acquired a stock of goods sufficient to meet his necessary and his discretionary consumption requirements, "making a living" loses its context for him. He has "made his living" and is at liberty to get on with the business of enjoying it in whatever manner he chooses. Achieving this circumstance is for some individuals the tenet underlying their enterprise endeavors prior to its achievement. At age 33, Andrew Carnegie wrote,

I propose to take an income no greater than \$50,000 per annum! Beyond this I need never earn, make no effort to increase my fortune, but spend the surplus each year for benevolent purposes! Let us cast aside business forever, except for others. Let us settle in Oxford and I shall get a thorough education, making the acquaintance of literary men. I figure this will take three years active work. I shall pay especial attention to speaking in public. We can settle in London and I can purchase a controlling interest in some newspaper or live review and give the general management of it attention, taking part in public matters, especially those connected with education and improvement of the poorer classes. Man must have an idol and the amassing of wealth is one of the worst species of idolatry! No idol is more debasing than the worship of money! Whatever I engage in I must push inordinately; therefore should I be careful to choose that life which will be the most elevating in its character. To continue much longer overwhelmed by business cares and with most of my thoughts wholly upon the way to make more money in the shortest time, must degrade me beyond hope of permanent recovery. I will resign business at thirty-five, but during these ensuing two years I wish to spend the afternoons in receiving instruction and in reading systematically! – Andrew Carnegie, in a memo written to himself (1868)

Carnegie did not make his own timetable; it would be slightly more than thirty years before he "resigned business" in 1901. Yet his words make his fundamental purpose of enterprise clear and his deeds late in life do not gainsay the words he wrote as a young man. Carnegie later wrote,

I was never quite reconciled to working for other people. At the most, the railway officer has to look forward to the enjoyment of a stated salary, and he has a great many people to please; even if he gets to be president, he has sometimes a board of directors who cannot know what is best to be done; and even if this board is satisfied, he has a board of stockholders to criticize him, and as the property is not his own he cannot manage it as he

pleases.

I always liked the idea of being my own master, of manufacturing something and giving employment to many men. – Andrew Carnegie, "How I Served My Apprenticeship," in *The Gospel of Wealth and Other Timely Essays*

The experiential source of this philanthropic altruism is not obscure for this man who, as a small-for-his-age thirteen-year-old Scottish immigrant in 1848, worked as a bobbin boy in an Allegheny cotton mill. There "Andy" worked twelve hour days, from 5:00 in the morning to 5:00 at night with two breaks (a short breakfast and a forty-minute dinner), for six days a week at \$1.20 per week. "Carnegie's Dictum" is still remembered today:

- To spend the first third of one's life getting all the education one can.
- To spend the next third making all the money one can.
- To spend the last third giving it all away for worthwhile causes.

Not many people follow the tenets and purposes of an Andrew Carnegie. A far larger number follow self-made tenets conforming to a pattern in economics described by Adam Smith:

The liberal reward of labor, as it encourages the propagation, so it increases the industry of the common people. The wages of labor are the encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives. A plentiful subsistence increases the bodily strength of the laborer, and the comfortable hope of bettering his condition, and of ending his days perhaps in ease and plenty, animates him to exert that strength to the utmost. Where wages are high, accordingly, we shall always find the workmen more active, diligent, and expeditious than where they are low – Adam Smith, *The Wealth of Nations*, I. viii

Provided, it should be added, that the organization in which they labor obeys a social contract and is a tranquil enough community that what would amount to an economic state of civil war does not exist within that community. When Smith wrote "more active, diligent, and expeditious" there is almost no doubt he meant active, diligent, and expeditious from the viewpoint of the authority figures within the organization. When an effective state of civil war does exist within it, the activity, diligence, and expeditiousness of the people involved turn to other directions, and wages and labor contracts become weapons rather than "encouragements of industry."

In some cases, people will ally their enterprise with that of others in a larger Enterprise for reasons quite independent of any personal needs of sustenance or duties-to-self attached to such needs. For example, if a person has already reached that state where his stock of goods is sufficient for, as Smith put it, "ending his days in ease and plenty" – however the person defines the concept of "ease and plenty" for himself – his purpose might answer to some self-assumed obligations having little or nothing to do with what the governors of the Enterprise assume to be the case.

To use himself as an example again, your author reached this circumstance years ago and, as

he does not hold with the third part of Carnegie's Dictum, his public enterprise these days is that of a college professor. However much college Deans, university Provosts, or politicians on the State Board of Education might presume otherwise, he does not work for them. He regards his salary as a fee and, as it were, a fine levied in exchange for putting up with those concessions he makes to them in the normal course of general university social circumstances. He "works" for his students instead, and even here the foundation of obligation is not *directly* laid to them but, rather, to a social compact he made a half-century ago with a great leader who died long before his present students (and even some of their parents) were born. The fundamental duty underlying *all* his acts of enterprise has been based on a social contract he entered into in his youth. As the Jesuits used to be fond of saying, "Give us the boy and the man is ours for life."

In a more outlaw vein, some individuals base their reasons in a desire for what John Adams called Emulation in the form of a personal lust for power, or in some other form of egocentrism or narcissism. Others base their reasons on what they think "society" or their family expects them to do, which is in its own way another species of Emulation. The point to all this is simply the following: Success in the governance of leadership in an Enterprise hinges on preparedness to satisfy a veritable rainbow of individual expectations of what each seeks to gain from the joint Enterprise. This is a formidable task and a continually on-going challenge for any Enterprise. But the originating ground of this challenge is nonetheless common in human nature, namely the human nature of freedom in self-determination.

Within all this formidable diversity there stands a primary fundamental feature: in every joint Enterprise the glue of its cohesiveness and, ultimately, its success is the expectation on the part of every member that his personal objectives in participating in it will be satisfied by means of his participation. The most formidable obstacle in the path of success of every joint Enterprise is conflict and opposition among the objectives and goals being sought by the individual members. This obstacle is great enough in its own right to render successful Enterprise impossible if it were not for another fundamental characteristic of human nature, namely that individual objectives and goals can be self-modified. It is the individual who determines his own goals and objectives; therefore the individual can himself change them if he has sufficient reasons for doing so.

§ 4. The Civil Organization of Enterprise

This, then, is the fundamental objective of the governance of leadership: to persuade the members of the organization to modify their own objectives and expectations in such a way that a joint Enterprise becomes an *actual* rather than merely *possible* means of achieving them. The members are drawn into the association by its possibilities; they remain within it, or not, and

contribute to the communal success of the Enterprise community, or oppose it, because of the actualities of the Enterprise. The question then becomes: How is this governance achievable?

§ 4.1 Suppression of Factious Predisposition within the Enterprise

This is *not* a matter of democracy. It is a most irrational expectation that any person's personal goals and objectives can or would be altered by the mere mass opinion of his fellows. Democracy can sometimes be an effective means of reaching decisions concerning alternative courses of action when it is merely a question of uncertainty over how to achieve common ends commonly agreed to by all the members. It is *never* a means for determining what the common end is to be because commonality of purpose requires thorough-going *consensus*, not mere majority opinion. No one can determine another person's *root* purposes and objectives. That can only be done by the individual himself whose purposes and objectives these are. To sing a hymn to democracy as a means of justifying the primacy of majority opinion is a baseless sophism because with regard to *individual* purposes and objectives democracy *grants no civil right* to the majority of having its opinion prevail over the individual, much less over a minority of individuals. When democracy is usurped for this usage it becomes a perverse compulsion by force of might. This ends cooperative joint Enterprise and replaces it with state-of-nature competition or else results in the wholesale disintegration of the Enterprise. Democracy so misused *is* what Aristotle called it: a *perversion* of government. It breeds faction and disunity within the community. In an argument as pertinent in many ways to any Enterprise as it is to political government, James Madison wrote,

It is of great importance in a republic, not only to guard the society against the oppression of its rulers; but to guard one part of the society against the injustice of the other part. Different interests necessarily exist in different classes of citizens. If a majority be united by a common interest, the rights of the minority will be insecure. There are but two methods of providing against this evil: the one, by creating a will in the community independent of the majority, that is, of the society itself; the other, by comprehending in the society so many separate descriptions of citizens as will render an unjust combination of a majority of the whole very improbable, if not impracticable. The first method prevails in all governments possessing an hereditary or self-appointed authority. This, at best, is but a precarious security; because a power independent of the society may as well espouse the unjust views of the major as well as the rightful interests of the minor party, and may possibly be turned against both parties. The second method will be exemplified in the federal republic of the United States. Whilst all authority in it will be derived from, and dependent on the society, the society itself will be broken into so many parts, interests, and classes of citizens that the rights of the individuals, or of the minority, will be in little danger from interested combinations of the majority. – James Madison, *The Federalist*, no. 51

The first method of which Madison speaks is not only the method of monarchies and aristocracies, but it is also the common method found in plutocracies. As for the second method, what Madison meant specifically was the division of the United States into separate states, each

of which had a limited sovereignty of its own, embodied in the original composition of the Senate prior to the passage of the 17th amendment, to check the tyrannical excesses and "interested combinations" of democracy latent in the composition of the House of Representatives.³ Protection against the despotism of democracy, an important pillar in the system of checks and balances in the republic of the United States, is what was lost when the 17th amendment was passed. From that moment forward, government in the U.S. was more vulnerable to the deceptions of propaganda, and the individual liberty of every citizen was placed in jeopardy. The inevitable tyranny to which full democracy always leads not only was foreseeable but *was* foreseen by the Framers of the Constitution. Madison wrote,

The latent causes of faction are thus sown in the nature of man; and we see them every where brought into different degrees of activity, according to the different circumstances of civil society. A zeal for different opinions concerning religion, concerning government, and many other points, as well of speculation as of practice; an attachment to different leaders, ambitiously contending for pre-eminence and power; or to persons of other descriptions, whose fortunes have been interesting to the human passions, have, in turn, divided mankind into parties, inflamed them with mutual animosity, and rendered them much more disposed to vex and oppress each other than to co-operate for their common good. So strong is this propensity of mankind, to fall into mutual animosities, that where no substantial occasion presents itself, the most frivolous and fanciful distinctions have been sufficient to kindle their unfriendly passions, and excite their most violent conflicts. – James Madison, *The Federalist*, no. 10

This is no less true of a business or a charitable Enterprise than it is of the government of a nation. It is true enough that the Framers did not anticipate all exigencies the future would bring; the primary short-sightedness was in failure to appreciate that states are not the only species of mini-community that exists within a society. It can be reasonably argued that this was perhaps to be expected in the social environment of pre-Industrial Revolution America. For all of that, however, they relied too much on the predominance of states as affecters of the nature of political government as if, in comparison to the other species of mini-communities, the state was a sun and they were planets and asteroids. It is no less short-sighted and even quite foolish to suppose that analogies to states (divisions) would, in and of itself, function efficaciously for most Enterprises.

Overlooked, too, in Madison's analysis is a third possibility of method. The first method speaks of creating "a will in the community independent of the majority." The second speaks of hindering effective combination of interests to produce a majority by dividing up society into groups of special interests and setting them against each other. The Framers' objections to the first

³ One part of this plan included a federal provision for creation of new states out of territories. The existing states were not allowed to expand their own borders into the western frontier of the new United States, although that was precisely the aim of several of the original thirteen states. Rather, entirely new states were to be formed eventually in those territories. So it is that today Kentucky is a state of its own and not merely part of a Greater Virginia, and Ohio is likewise a state of its own and not just part of Pennsylvania.

method were not with its goal – a will in the community at large – but rather with the historical means by which that issue had been approached – monarchs and aristocrats. Their preference for the second was based on a presupposition that history later demonstrated was not as secure a safeguard as they had supposed:

If a faction consists of less than a majority, relief is supplied by the republican principle, which enables a majority to defeat its sinister views by regular votes. It may clog the administration, it may convulse the society; but it will be unable to execute and mask its violence under the forms of the constitution. When a majority is included in a faction, the form of popular government, on the other hand, enables it to sacrifice to its ruling passion or interest both the public good and the rights of other citizens. To secure the public good, and at the same time to preserve the spirit and form of popular government, is then the great object to which our inquiries are directed. . . .

By what means is this object attainable? Evidently by one of two only. Either the existence of the same passion or interest in a majority, at the same time, must be prevented; or the majority, having such co-existent passion or interest, must be rendered, by their number and local situation, unable to concert and carry into effect their schemes of oppression. If the impulse and the opportunity be suffered to coincide, we well know, that neither moral nor religious motives can be relied on as an adequate control. They are not found to be such on the injustice and violence of individuals, and lose their efficacy in proportion to the number combined together; that is, in proportion as their efficacy becomes useful. . . .

A republic, by which I mean a government in which the scheme of representation takes place, opens a different prospect, and promises the cure for which we are seeking. . . . The effect . . . is to refine and enlarge the public views, by passing them through the medium of a chosen body of citizens whose wisdom may best discern the true interest of their country, and whose patriotism and love of justice will be least likely to sacrifice it to temporary or partial considerations. . . . In the next place, as each representative will be chosen by a greater number of citizens in the large than in the small republic, it will be much more difficult for unworthy candidates to practice with success the vicious arts, by which elections are too often carried; and the suffrages of the people being more free, will be more likely to center in men who possess the most attractive merit, and the most diffusive and established characters. – [*ibid.*]

Judging from *Discourses on Davila*, John Adams – who was not present at the Constitutional Convention of 1787 – likely would have disagreed with the latter part of Madison's argument.

National passions and habits are unwieldy, unmanageable, and formidable things. The number of persons in any country who are known by name or reputation to all the inhabitants is, and ever must be, very small. Those whose characters have attracted the affections, as well as the attention of a whole people, acquire an influence and ascendancy that it is difficult to resist. In proportion as men rise higher in the world, whether by election, descent, or appointment, and are exposed to the observation of greater numbers of the people, the effects of their own passions and of the affections of others for them become more serious, interesting, and dangerous. In elective governments, where the first magistrates and senators are at stated intervals to be chosen, these, if there are no parties, become at every fresh election more known, considered, and beloved by the whole nation. But if the nation is divided into two parties, those who vote for a man become the more attached to him for the opposition that is made by his enemies. This national attachment to an elective first magistrate, where there is no competition, is very great. But where there is competition, the passions of his party are inflamed by it into a more ardent enthusiasm. If there are two candidates, each at the head of a party, the nation becomes divided into two

nations, each of which is, in fact, a moral person, as much as any community can be so, and are soon bitterly enraged against each other. – John Adams, *Discourses on Davila*

The Framers saw the states as being the principal source of faction – as they were under the Articles of Confederation – but completely overlooked the coming formation of political parties and their ascendancy to become the dominant factions in the nation. This was and is enough to defeat Madison's safeguard. The third method – dismissed as impractical by Madison and others – is to establish governance of leadership such that the phenomenon of alliance into parties is rendered impotent. This is not to say parties can or should be prohibited; free association is always within the power of individuals and nothing whatsoever can prevent it. If it is openly oppressed, it will take place in secrecy and with greater enmity for its oppressors. It is to say that *parties be rendered impotent of power*. The practical and Critical question is: *Is this possible by any practical means?*

§ 4.2 Objectives and Goals: The Form and Matter of Civil Organization of Enterprise

To answer this question we must inquire deeper into the nature of human objectives and goals. Here the following note is of pre-eminent importance: The *common* purpose in Enterprise is the *strategic objective* of the Enterprise; all *specific* objectives of the enterprises within it are *tactical objectives* in relationship to the Enterprise. The one or few strategic objectives of the Enterprise *are not necessarily contrary* to the many and divers tactical objectives of the individual enterprises. The Critical question thus reduces to: *Under what conditions can the one or few strategic objectives of Enterprise be compatible with the divers tactical objectives and interests of individual enterprises within it?* Provided the answer is not "there are no conditions under which this is possible," the first task *and prime objective* of the governance of leadership is *to ensure that these conditions are always satisfied*. This in no way implies the task is easy; history mounts endless counterexamples illustrating that it is a difficult task. It is to say the task must be accomplished to a sufficient level of practical perfection that the Enterprise holds together and its aims are realized. It is also to say that *these conditions are the real terms of any social contract of Enterprise*, that satisfaction of these terms is practically necessitated if governance of leadership is to succeed, and that without a common understanding of and consensus in these terms long-term success of leadership governance cannot be maintained and the Enterprise will eventually disintegrate and fall. In a ILAR division of the idea of the purpose of leadership governance, the conditions for congruence between Enterprise strategic objectives and enterprise tactical objectives is the form of Enterprise *nexus*.

These conditions have at most only a mediate and temporally fluid relationship to the specific actions and activities in which the Enterprise engages. Whether the activity is manufacturing

computers or selling insurance, the specific goods of the Enterprise – whether tangible or intangible – are a *secondary* real consideration. The problem of the governance of leadership has nothing whatsoever to do with the nature and character of widgets. It has everything to do with the behavior of people and the nature of their interactions.

The specific goods of the Enterprise are nothing more than means to an end and are never the end itself. Watson wrote,

And the final and most important lesson: Beliefs must always come before policies, practices, and goals. The latter must always be altered if they are seen to violate fundamental beliefs. The only sacred cow in an organization should be its basic philosophy of doing business. – T.J. Watson, Jr., *A Business and Its Beliefs*, I, 5

IBM under Watson found itself forced to, in effect, change the fundamental nature of the products it produced, to move from electro-mechanical punched card calculating equipment to electronic stored-program computers with all of the technological changes that came with it. The change effected the day-to-day activities of the Enterprise in ways no less significant than would occur if a grocery store were to change itself into a restaurant. Dave Packard and Bill Hewlett, too, held that the specific products (goods) produced by the Hewlett-Packard Company was a transient means and not an end. Packard wrote,

The key to HP's prospective involvement in any field of interest is contribution. Our objective is to expand and diversify only when we can build on our present strengths, and with the recognition that we have the proven capability to make a contribution. To meet this objective, it is important that we put maximum effort into our product-development programs. This means we must continually seek new ideas for new and better kinds of products.

A constant flow of good new products is the lifeblood of Hewlett-Packard and essential to our growth. . . . At HP, as in other technical companies, there is no shortage of ideas. The problem is to select those likely to fill a real need in the marketplace. – David Packard, *The HP Way*, 7

Neither Packard nor Hewlett ever exhibited the least bit of nostalgia for an old product line whose day had come and gone. Michael Malone wrote,

As a business strategy, Packard's style was relentless and intimidating. Throughout the 1950s and 1960s, HP seemed to move across the instrument world in a carefully coordinated attack on a wide front, continuously enveloping and overrunning more narrowly focused competitors.

But this strategy, powerful as it was, had a major weakness: it was vulnerable to time and innovation. With the former, the risk was always that over time the market would mature, prices would fall, products would become commoditized, and profits would disappear. Packard met that challenge with his complete lack of institutional nostalgia – he cared for employees, not products. Packard was prepared to abandon any HP business the moment it began to lose its profitability. – Michael Malone, *Bill & Dave*, 6

Your author recalls one time in the mid-1970s when Bill and Dave dropped into the division

where he worked for a visit. It was near Thanksgiving and their first stop was in the Marketing Department where, as it so happened, their arrival coincided with an ice cream and cake party going on there to celebrate a good business year. Afterwards they strolled out into the production area, where they noticed that some of the production operators were using one of our idle burn-in ovens (a piece of equipment used in our manufacturing process) to keep a roast turkey warm until lunchtime. Then they came into the product development lab where your author worked. As it happened, they had been urging us to get into a new product line aimed at penetrating the European marketplace; for some reason our division management had been resisting this idea. Hewlett, however, brought it up and your author's section leader began to explain, again, the reasons we weren't working on this. Bill listened, then turned to Dave and said gruffly, "In Marketing they gave us ice cream and cake. In production they gave us turkey. The Lab just gives us the same old bull." Dave nodded in agreement while all the rest of us blushed.

The first objective for the administration of leadership governance is to produce and then maintain the delicate congruence between the strategic objectives of the Enterprise and the diverse tactical objectives of the entrepreneurs whose individual enterprises comprise it. ***The second objective is to produce and then exploit enthusiasm for this congruence in such a way that the concrete aims of specific Enterprise activities are accomplished through the joint efforts of the Enterprise membership.*** Most of the day-to-day initiating leaders' actions within the Enterprise are aimed more or less directly at the accomplishment of these aims. Watson or Packard might not have cared whether their businesses produced computers or tractors, but they did care about *whether* a product was produced and *how* it was produced because both of these factors act conjointly in determining if the Enterprise is successful and to what degree. Official strategic objectives for the Enterprise are communicable and meaningful expressions in specific form of the "what's" and "how's" of *the unity* of day to day Enterprise activities, not of the activities themselves. ***Unity of activities*** is an intangible and yet it is the means for Enterprise success. Critically, it is to be regarded as the outcome of a synthesis in which the different individual activities are integrated. Its *Dasein* is perceptible only through its imperfections, which is to say the effects of *lack* of unity are all that can be manifested in experience.

In a ILAR division of the purpose of leadership governance, the specific Enterprise objectives are the matter of composition. Concrete objective statements of Enterprise objectives depend on a number of factors of special circumstances and depend in part on the nature of the Enterprise. Again, though, it must be stressed that unity of activities is made possible only under the condition of congruence between the purpose of the Enterprise and the purposes of the individual enterprises within it.

§ 4.3 Three Examples of Enterprise Strategic Objectives

It is a discomfoting reflection on the poor state of general understanding of the nature of leadership when one observes that the majority of so-called strategic objectives so proudly put on display by organizations – those, at least, that do so, which is not the case for the greater number of them – are nothing of the sort. It is most often the case that they are nothing else but thinly veiled tactical objectives that are divorced from the real objectives of the composing enterprises and are usually further encumbered with a follow-on list of Platonically presumed "rubrics" and "metrics" that become *de facto* guidelines for administrative automatism. When this happens it cannot be said with real objective validity that the organization employs governors of leadership. Rather, it is more correct to say it has become subjugated by baboons of bookkeeping. Real Enterprise strategic objectives are marked by the character that they stand unaltered over the course of decades, and well-perfected ones stand unaltered over the span of the entire real and actual *Existenz* of the Enterprise. They cannot be positively measured because their ground is the unity of enterprise activities, which can only be negatively determined in experience by its *lack*.

Let us take a look at three examples of Enterprise strategic objectives that met the test of durability over a prolonged period of time for successful Enterprises. We begin with IBM. Watson wrote,

IBM's philosophy is largely contained in three simple beliefs.

I want to begin with what I think is the most important: *our respect for the individual*. This is a simple concept, but in IBM it occupies a major portion of management time. We devote more effort to it than anything else. . . .

Years ago we ran an ad that said simply and in bold type, "IBM Means Service." I have often thought it our very best ad. It also is a succinct expression of our second basic corporate belief. *We want to give the best customer service of any company in the world.* . . .

The third IBM belief is really the force that makes the other two effective. *We believe that an organization should pursue all tasks with the idea that they can be accomplished in a superior fashion.* IBM expects and demands superior performance from its people in whatever they do. – T.J. Watson, Jr., *A Business and Its Beliefs*

These were the strategic Enterprise objectives of IBM under both Watson, Sr. and Watson, Jr. The bulk of the pages in the first part of Watson's book deals with specific tactics employed in the administration of leadership at IBM to meet these objectives. They touch upon such topics as job security, an open door policy, employee incentives, and so on, but he makes it clear that these *tactics* were in service to the strategic objectives and were never to become a substitute for them. He wrote,

Undoubtedly the principal reason these beliefs have worked well is that they fit together and support one another. If you hire good people and treat them well, they will try to do a good job. They will stimulate one another by their vigor and example. They will set a fast

pace for themselves. Then, if they are well led and occasionally inspired, if they understand what the company is trying to do and know they will share in its success, they will contribute in a major way. The customer will get the superior service he is looking for. The result is profit to customers, employees, and stockholders. – [*ibid.*]

We can and should note that none of these strategic objectives have to do with computers or office equipment. Each of them addresses some aspect of human interpersonal relationships. The first speaks to the relationship between the Enterprise and the individuals who form it. The second speaks to the relationship between the Enterprise and its customers, i.e. to its outer relationships. The third speaks to the relationship between enterprise and Enterprise. We should further note that no "rubric" or "metric" can measure these intangibles. *Tactical* outcomes are often determinable and comparable to some specific metric; *strategic* objectives are not.

We draw our second example from Hewlett-Packard. In this Enterprise, the strategic objectives of the Enterprise were stated in the form of "the Seven Corporate Objectives." These were:

1. ***Profit.*** To recognize that profit is the best single measure of our contribution to society and the ultimate source of our corporate strength. We should attempt to maximize possible profit consistent with our other objectives.
2. ***Customers.*** To strive for continual improvement in the quality, usefulness, and value of the products and services we offer our customers.
3. ***Field of Interest.*** To concentrate our efforts, continually seeking new opportunities for growth but limiting our involvement to fields in which we have capability and can make a contribution.
4. ***Growth.*** To emphasize growth as a measure of strength and a requirement for survival.
5. ***Employees.*** To provide employment opportunities for HP people that include the opportunity to share in the company's success, which they help make possible. To provide for them job security based on performance, and to provide the opportunity for personal satisfaction that comes from a sense of accomplishment in their work.
6. ***Organization.*** To maintain an organizational environment that fosters individual motivation, initiative and creativity, and a wide latitude of freedom in working toward established objectives and goals.
7. ***Citizenship.*** To meet the obligations of good citizenship by making contributions to the community and to the institutions in our society which generate the environment in which we operate.

– David Packard, *The HP Way*

This was not a priority list. The Enterprise expectation was that *all seven* objectives were to be met at all times. This is the subtlety sitting quietly within the first objective in the qualifying phrase *consistent with our other objectives*. We should also note that while some of these objectives can relatively qualified in evaluative judgment – e.g., Did we make a profit? Was it more or less than last year's? – none of them are *quantifiable*. The first objective, for example, did not state how much profit; it said "attempt to maximize . . . consistent with our other objectives."

One cannot quantify an "attempt" and it was the attempt, not the amount of profit, that was the objective.

A person whose experience in life has moved him to adopt a cynic's attitude might dismiss the list above as mere "spin" or "Motherhood and Apple Pie," but he would be wrong. When Hewlett and Packard were actively engaged in the company's day to day affairs, these objectives were almost a palpable presence everywhere in the company, and they remained so for many years after the founders retired. In time the company's corps of managers gradually came, first, to take them for granted and, later, to no longer pay attention to them. Eventually that led to the extinction of the HP Way and the fall of the company from the ranks of well-managed Enterprises. That is where it stands today – just another big company governed by plutocracy and peopled by a sizable Toynbee proletariat. It is doubtful today that HP will ever be an exemplary company again, just as it is doubtful in the case of IBM. Your author would not work there today.

The way in which the Enterprise at HP tactically managed the achievement of the seven strategic objectives was through a method known as Management by Objectives or MBO. This term – now part of the common-speak of a management theory rarely put into effective practice – was coined by Hewlett and Packard themselves. It was a system of a descending and diverging series of *tactical* objectives that became gradually more and more concrete and quantifiable as they moved down through the corporate hierarchy. These tactical objectives were what supplied the bones, flesh, and muscles to the specific activities of enterprise within HP. They were, however, unified by what one could very well call the "corporate soul" expressed in the Seven Objectives. As the Seven Objectives later came to be more and more taken for granted and ignored, the MBO process likewise became less and less effective. Your author offers the observation that the now common but nonetheless obscene practice in which an organization calls its members "human resources" did not begin at HP until after the founders retired. It was the earliest warning sign, symptomatic at the scale of Enterprise, of the start of what Toynbee called the phenomenon of civilizations falling from within as their vigor and innovation fades.

For our final example, we will use the strategic objectives of government in the United States. It is a grievous reflection of the bankrupt state of civics education in this country that most of its people *do not even know* American government *has* a set of strategic objectives – and it is most ominous for our future that this multitude includes many agents of government and almost every political activist. Yet most Americans *know the words* when they see or hear them:

We the people, in order to form a more perfect union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare and secure the blessing of liberty to ourselves and our posterity, do ordain and establish this Constitution for the United States of America.

These are the six strategic objectives of government, *at every level*, in the United States and have been for over two centuries. The rest of the Constitution is nothing but a tactical plan for trying to achieve them. That government activities from federal to local are today largely failing to meet even one of them is, or should be, more or less evident to any intelligent person taking the time and trouble to remain engaged with the American political process and with enough objectivity to *dispassionately* judge its actual outcomes. America is no longer the republic that the Framers of the Constitution intended it to be. Today it is a nation divided by two dominant warring political parties, just as John Adams predicted, with a growing Toynbee proletariat disengaged from participation in its dissolving civil union. As *the* outstanding example of failure in the governance of leadership, the political governance of the United States of America is peerless.

§ 5. Conditions for Effective Governance of Leadership

Perhaps, my dear reader, you will not have failed to notice a recurring theme in this chapter: the decline and failure of effective leadership governance in Enterprises. History has yet to present us with any examples of permanent effective leadership governance – as, indeed, it cannot by the very meaning of the word "permanent" – nor even very many examples of what one would pragmatically call very durable leadership governance once one has moved past such examples as the Bushmen of the Kalahari. But why is this? Is there something endemic in human nature such that leadership governance in all but the smallest scale Enterprise is destined for failure and extinction, as a gloomy Rousseau believed?

The body politic, as well as the human body, begins to die as soon as it is born, and carries in itself the causes of its destruction. But both may have a constitution that is more or less robust and suited to preserve them a longer or a shorter time. The constitution of man is the work of nature; that of the State the work of art. It is not in men's power to prolong their own lives; but it is for them to prolong as much as possible the life of the State, by giving it the best possible constitution. The best constituted State will have an end; but it will end later than any other, unless some unforeseen accident brings about its untimely destruction. – Rousseau, *The Social Contract*, 11

Mental physics teaches us two things in this regard. First, it is *not* endemic to human nature that governance of leadership must necessarily fail sooner or later. The failure of the governance of leadership is a contingent outcome, not a necessary or even a necessitated one. Second, it teaches us that human nature has a natural predisposition that biases and favors the eventual failure of the Enterprise of enterprises. This is rooted in the practical and deontological nature of the manifold of rules and the power of self-determination. Unless countermanded by experience-based higher rules – hypothetical practical imperatives – people *will tend to ignore* the necessary conditions for enduring and robust success in Enterprise. As this ignórance becomes habitual,

violations of the requisite conditions will occur with increasing frequency until, at last, the Enterprise falls from within due to the breakdown of its social contract and the formation within it of a majority Toynbee proletariat and a *ruling* class of plutocrats, who the Toynbee proletariat will eventually regard with enmity and rebel against. This bias and predisposition can only be countered by on-going, active, and cognizant leaders' actions grounded in a social-natural *science* of leadership. The outcome hinges upon the successful and on-going accomplishment of the prime objective of the governance of leadership set out earlier in this chapter.

This brings us to the analysis of what these requisite conditions are. We are about to see that understanding these conditions walks hand in hand with a deontological understanding of the social-natural character of civics in the community of the Enterprise.

§ 5.1 The Civil Character of Participation in Enterprise

§ 5.1.1 The Enterprise as a Political Institution

We begin by examining the social-natural character of conventional mores and folkways in the broad population, out of which the participants in an Enterprise are drawn, and its effect on governance in general. John Stuart Mill wrote,

Let us remember, then, in the first place, that political institutions . . . are the work of men; owe their origin and their whole existence to human will. Men did not wake up on a summer morning and find them sprung up. Neither do they resemble trees, which, once planted, "are aye growing" while men "are sleeping." In every stage of their existence they are made what they are by human voluntary agency. Like all things, therefore, which are made by men, they may be either well or ill made; judgment and skill may have been exercised in the production, or the reverse of these. And again, if a people have omitted, or from outward pressure have not had it in their power, to give themselves a constitution by the tentative process of applying a corrective to each evil as it arose, or as the sufferers gathered strength to resist it, this retardation of political progress is no doubt a great disadvantage to them, but it does not prove that what has been found good for others would not have been good also for them, and will not be so still when they think fit to adopt it. — John Stuart Mill, *Representative Government*, 1

The management and administration of any organization is a political institution. Managers are bearers of authority figure titles (regardless of whether or not authority is actually granted them by followers) and, as such, are expected to direct their labor to obtaining the cooperative efforts of the labors of the members of the organization. That the titled positions they hold are governors' positions is readily understood and accepted by almost everyone; it is merely that the governance of leadership, not of men, is the task of their labor which is not widely understood. It is in this sense that any structure of management and administration in an organization is a political institution and Mill's comments quoted above are applicable to it. Furthermore, the same is true for the agencies and institutions of political government in the traditional sense. Whether a

person be a king, a senator, or a president, as an authority figure his primary task is the governance of leadership.

What Mill said about political institutions being the outcome of human voluntary agency is also true, although it is easy to miss in his statement the pertinent role of social folkways in not only originally establishing but also in maintaining the structure of such institutions from one generation to the next. No one alive today was a participant in the Industrial Revolution or had a hand in making the form commercial enterprises took on during this time. In the English tradition of muddling through change, the "master of the business" paradigm still in place today evolved during that time from a mere simile: how people looked at the independent artisan or merchant in his shop and then projected that view *as a metaphor* in forming ideas of business management structure that took shape in most commercial organizations during the Revolution. But, as Watson noted, if the national society should choose to change the laws and customs sanctioning this form, the society could do so and there would be nothing the traditional masters of organizations could do to prevent it.

Even so, political folkways and customs of long standing must owe their longevity to something. Something about them must be at least minimally acceptable or acquiesced to by enough people in a society to suppress or ignore calls to change those folkways or customs. The labor movement of the late nineteenth and early twentieth centuries did not overturn the master of the business paradigm that had already been in place in England during Adam Smith's day, nor did the social protests of Dickens and other commentators suffice to sway enough people to bring on the socialism championed by many of the early leaders of the labor movement. It is possible to doubt if the Roosevelt administration of the 1930s would have been as friendly to labor reforms were it not for the Great Depression and the backlash of public opinion against "big business" it produced. Similarly, it can be doubted if the anti-labor movement backlash of the late twentieth century would have happened without the domestic malcontent brought on by over-extension and foolishly Platonic hyper-inflation of these reforms as they were applied to small businesses. Society makes and unmakes the rules under which every domestic organization must operate.

Mill goes on to remind us,

On the other hand, it is also to be borne in mind that political machinery does not act of itself. As it is first made, so it has to be worked, by men, and even by ordinary men. It needs, not their simple acquiescence, but their active participation; and must be adjusted to the capacities and qualities of such men as are available. This implies three conditions. The people for whom the form of government is intended must be willing to accept it; or at least not so unwilling as to oppose an insurmountable obstacle to its establishment. They must be willing and able to do what is necessary to keep it standing. And they must be willing and able to do what it requires of them to enable it to fulfill its purposes. The word "do" is to be understood as including forbearances as well as acts. They must be capable of

fulfilling the conditions of action, and the conditions of self-restraint, which are necessary either for keeping the established polity in existence, or for enabling it to achieve the ends, its conduciveness to which forms its recommendations. The failure of any of these conditions renders a form of government, whatever favorable promise it may otherwise hold out, unsuitable to the particular case. – [*ibid.*]

Mill's succinct phrase, "they must be willing and able," sums up the goal of the prime objective of leadership governance in any Enterprise, but it does not express, describe, or explain the nature of the condition or conditions. To do that we must dig deeper into the nature of human self-determination. Mill's "conditions" are conditions only from the perspective of the managers of an Enterprise, not from the perspective of the entrepreneurs whose cooperative efforts "work the machine" (as he put it) of Enterprise governance. If the members of an Enterprise of enterprises are "willing and able" to satisfy Mill's three conditions, this is as much as to say they are at liberty to do so because liberty is not merely the freedom of self-determination but rather the union of self-determination with the ability to realize the object of this determination.

The question that logically follows from this is, then, what is necessary for the possibility of this liberty? To understand this, we must look further into the nature of the power of the person – physical, intellectual, tangible, and persuasive. Mill observed,

But there are also cases in which, though not averse to a form of government – possibly even desiring it – a people may be unwilling or unable to fulfill its conditions. They may be incapable of fulfilling such of them as are necessary to keep the government even in nominal existence. Thus a people may prefer a free government, but if, from indolence, or carelessness, or cowardice, or want of public spirit, they are unequal to the exertions necessary for preserving it; if they will not fight for it when it is directly attacked; if they can be deluded by artifices used to cheat them out of it; if by momentary discouragement, or temporary panic, or a fit of enthusiasm for an individual, they can be induced to lay their liberties at the feet even of a great man, or trust him with powers which enable him to subvert their institutions; in all these cases they are more or less unfit for liberty: and though it may be for their good to have had it even for a short time, they are unlikely to long enjoy it. Again, a people may be unwilling or unable to fulfill the duties which a particular form of government requires of them. A rude people, though in some degree alive to the benefits of civilized society, may be unable to practice the forbearance which it demands: their passions may be too violent, or their personal pride too exacting, to forego private conflict, and leave to the laws the avenging of their real or supposed wrongs. In such a case, a civilized government, to be really advantageous to them, will require to be in a considerable degree despotic: to be one over which they do not themselves exercise control, and which imposes a great amount of forcible restraint upon their actions. – [*ibid.*]

The social character – or, more accurately, lack of social character – Mill describes here is symptomatic of leadership failure within a community. It is failure in leadership to counteract and diminish the natural preference for a state of nature condition among people who comprise a *geographical* community but who have achieved little true *political* community.

Let us not mince words. What the management of an Enterprise must do to satisfy the condition of the prime objective of leadership governance depends in the greatest measure on the

deontological civic morality of the membership. Cultivation of this is therefore an objective of such import it must rise to an expectation of duty for those entrusted to managerial functions. No intelligent master of a business or manager in an Enterprise is likely to say, much less really desire, that he prefers indolent, careless, cowardly people lacking in "corporate spirit" for the workforce of his Enterprise. That being so, the *social engineering* of the Enterprise organization is of far greater impact than any quarterly business plan. Andrew Carnegie wrote,

My experience has been that trades-unions, upon the whole, are beneficial both to labor and to capital. They certainly educate the working-men, and give them a truer conception of the relations of capital and labor than they could otherwise form. The ablest and best workmen eventually come to the front in these organizations; and it may be laid down as a rule that the more intelligent the workmen the fewer the contests with employers. It is not the intelligent workman, who knows that labor without his brother capital is helpless, but the blatant ignorant man, who regards capital as the natural enemy of labor, who does so much to embitter the relations between employer and employed; and the power of this ignorant demagogue arises chiefly from the lack of proper organization among the men through which their real voice can be expressed. . . . Of course, as men become more intelligent more deference must be paid to them personally and to their rights, and even to their opinions and prejudices; and, upon the whole, a greater share of the profits must be paid in the day of prosperity to the intelligent than to the ignorant workman. He cannot be imposed upon so readily. On the other hand, he will be found much readier to accept reduced compensation when business is depressed; and it is better in the long run for capital to be served by the highest intelligence, and to be made well aware of the fact that it is dealing with men who know what is due to them, both as to treatment and compensation.

One great source of the trouble between employers and employed arises from the fact that the immense establishments of today, in which alone we find serious conflicts between capital and labor, are not managed by their owners, but by salaried officers, who cannot possibly have any permanent interest in the welfare of the working man. These officers are chiefly anxious to present a satisfactory balance sheet at the end of the year, that their hundreds of stockholders may receive the usual dividends, and that they may therefore be secure in their positions, and be allowed to manage the business without unpleasant interference either by the directors or shareholders. It is notable that bitter strikes seldom occur in small establishments where the owner comes into direct contact with his men, and knows their qualities, their struggles, and their aspirations. It is the chairman, situated hundreds of miles away from his men, who only pays a flying visit to the works and perhaps finds time to walk through the mill or mine once or twice a year, that is chiefly responsible for the disputes which break out at intervals. — Andrew Carnegie, "An Employer's View of the Labor Question," in *The Gospel of Wealth & Other Timely Essays*

One should carefully note that by "workman" Carnegie does *not* mean only the non-managerial or non-supervisory personnel of the Enterprise. To Carnegie the "salaried officers" – the managers – are no less workmen than the production operator or miner with no supervisory responsibilities. The "blatant ignorant man who regards capital as the natural enemy of labor" can just as well have the title "Executive Vice President" on his office door as the man who wears coveralls while plying his trade. "Manager" and "executive" are nothing more than trades made possible by the division of labor, and, to the extent that the position is necessitated for the good of the organization, are no more and no less exalted than the trade of janitor.

In the main, plutocratic organizations exist and strive to maintain themselves despite, and sometimes through reliance upon, all of Mill's moral factors to some degree. Indolence and carelessness can sometimes be countered by the threat of sanctions (most often in the form of excommunication and banishment, e.g. termination of employment). Cowardice can be exploited. "Lack of corporate spirit" might be important to Carnegie's "salaried officer" only to the extent that it does not produce disobedience or sabotage. Minimally, the "master of the business" and his principal lieutenants must have the opposite sort of deontological moral character and possess the vigor, craftiness, ability to intimidate, and will to be effective overseers in a plutocracy. If a person wishes to rule his enterprise like a petty Sargon, he would have the easiest time of it with a labor force comprised of children under age twelve or thirteen because he could then exploit the inexperience and moral realism characteristic of the psychology of young children.

Such a situation produces an aggregate in a state of nature rather than a community, but we know well from the long record of history that such an organization can be made to nominally endure for a prolonged period of time. The cost, in terms of what it might have but did not accomplish, is not a liability that appears on a balance sheet. The visible threat to the continued existence of the master's enterprise comes from without, in the form of competitors with whom, in state-of-nature free enterprise, he is in an on-going state of economic war. His principal ally in the on-going subjugation of his laborers is the culture of the larger society of which they are all a part when that larger society is acclimated by custom and folkways to tolerating or embracing the plutocratic paradigm of organization. French diplomat Joseph de Maistre cynically wrote, "Every nation has the government it deserves," and if by "deserves" one means "tolerates," then there is truth in this statement because such tolerance favors state-of-nature relationship in organizations of all kinds. To determine oneself to be in a state of denial of this, out of an aesthetical sense of repulsion at its crudity, is to determine oneself to become a Pollyanna personality. There is no justice and there are no civil liberties in the state of nature.

§ 5.1.2 Liberty of Enterprise and Militancy

Every nation on earth has to some degree this sort of national character, just as most nations in the modern world have to some degree its opposite character. These are expressed through the actual behaviors-in-the-aggregate of its population. We can label social character of the first sort the X-character of a society, and label the other its Y-character. The economic conditions of a society are a fundamental determining factor in the relative force of each because these conditions directly affect matters of duty to oneself. So, too, is a factor we can call the *militant* character of the society. Ancient Sparta probably presents the purest example of extreme oppressive militant

character in Western history. Everything about Spartan society was directed to the goal of maintaining by force and terror the subjugation of the Helots, the vast slave society that produced and maintained the Spartan economy. Colonial America probably presents the purest example of an opposite but still extreme militancy. In a 1775 speech to Parliament, as Britain's crisis with America was coming to the explosive point, British politician Edmund Burke said,

In no country perhaps in the world is law so general a study [as in America] . . . This study renders men acute, inquisitive, full of resources . . . In other countries, the people, more simple and of a less mercurial cast, judge of an ill principle in government only by an actual grievance; here they anticipate the evil, and judge of the pressure of the grievance by the badness of the principle. They augur misgovernment at a distance, and snuff the approach of tyranny in every tainted breeze. – Edmund Burke, *Second Speech on Conciliation with America. The Thirteen Resolutions*, Mar. 22, 1775

The Helots were a conquered people subjugated and enslaved by their Spartan masters. For a Helot to be militant about his personal liberty was extremely dangerous because the Spartans, as a regular part of their youth education program, routinely identified those Helots who showed any degree of creativity or militancy in regard to their own liberties and used them as "homework assignments" for Spartan boys to practice the art of assassination by stealth. Plutarch tells us,

By this ordinance, the magistrates dispatched privately some of the ablest of the young men into the country, from time to time, armed only with their daggers, and taking a little necessary provision with them; in the daytime they hid themselves in out-of-the-way places and there lay close, but in the night issued out into the highways and killed all the Helots they could light upon; sometimes they set upon them by day, as they were working in the fields, and murdered them. – Plutarch, *Lives of the Noble Grecians and Romans*, Lycurgus

It wasn't long before the Helots developed what is historically called a slave's mentality; this was carefully nurtured and maintained by the Spartans. There were rarely any revolts by the Helots until Sparta's waning days, when the Spartans were being overcome by their external enemies and the Spartan mores dictated by the Laws of Lycurgus had been largely abandoned.

On the other hand, colonial America – largely a society of small, independent enterprises – reacted violently to the imposition of mild and not unreasonable taxes by the British government. The government's intent was to recover the costs of the French and Indian War; the Americans demanded the right to impose their own taxes rather than submit to Parliament or the king. In the space of about a dozen years, this led to the American Revolution. Through their diplomats, most notably Ben Franklin, the Americans even resorted to stirring up a world war in order to help themselves throw off British rule.

Which brings us to the economic factor. In many ways it is fair to say that what the British government failed to accomplish politically and militarily in colonial America was accomplished by economic seduction within post-Revolutionary American society by the Industrial Revolution.

Industrialization greatly amplifies the division of labor, with the skills of the tradesmen becoming more specialized as the divisions multiply. It quickly becomes impractical for the specialized tradesman to set up an independent shop for himself and continue as his own master. "Tom's Pin Whitening Shop" or "Ed's Stockroom Management Services" are not enterprises that attract much walk-in business. Adam Smith wrote,

In that original state of things, which precedes both the appropriation of land and the accumulation of stock, the whole produce of labor belongs to the laborer. He has neither landlord nor master to share with him.

Had this state continued, the wages of labor would have augmented with all those improvements in its productive powers to which the division of labor gives occasion. All things would gradually have become cheaper. They would have been produced by a smaller quantity of labor; and as the commodities produced by equal quantities of labor would naturally in this state of things be exchanged for one another, they would have been purchased likewise with the produce of a smaller quantity. . . .

But this original state of things, in which the laborer enjoyed the whole produce of his own labor, could not last beyond the first introduction of the appropriation of land and the accumulation of stock. It was at an end, therefore, long before the most considerable improvements were made in the productive power of labor. . . .

It seldom happens that the person who tills the ground has wherewithal to maintain himself till he reaps the harvest. His maintenance is generally advanced to him from the stock of a master, the farmer who employs him, and who would have no interest to employ him unless he was to share in the produce of his labor, or unless his stock was to be replaced to him with a profit. This profit makes a second deduction from the produce of the labor which is employed upon land.

The produce of almost all other labor is liable to a like deduction of profit. In all arts and manufactures the greater part of the workmen stand in need of a master to advance them the materials of their work and their wages and maintenance till it be completed. He shares in the produce of their labor, or in the value it adds to the materials upon which it is bestowed; and in this share consists his profit.

It sometimes happens, indeed, that a single independent workman has stock sufficient both to purchase the materials of his work and to maintain himself until it is completed. He is both master and workman, and enjoys the whole produce of his own labor, or the whole value which it adds to the materials upon which it is bestowed. It includes what are usually two distinct revenues, belonging to two distinct persons, the profits of stock and the wages of labor.

Such cases, however, are not very frequent, and in every part of Europe, twenty workmen serve under a master for one that is independent. . . . What are the wages of labor depends everywhere upon the contract usually made between these two parties, whose interests are by no means the same. The workmen desire to get as much, the masters to give as little as possible. The former are disposed to combine in order to raise, the latter in order to lower the wages of labor. – Adam Smith, *The Wealth of Nations*, 1, viii

The individual is still, indeed, the master of his own enterprise but with industrialization and the specialization that comes with it, he is no longer practically able to set up his own shop and be exclusively his own master in the terms under which his labor is purchased. He must sell his services to another instead, and in doing so he must compete with the many others who find

themselves in this same economic situation. In economic terminology, the *market* for his labor has changed and, usually, the buyers in this market are fewer and the number of competitors he faces is greater. To the extent that the skills being purchased are more generic, the more of the character of what economists call the perfect competition model is approached. To the extent that his skills are less generic but are still skills for which there are close substitutes, the market in which he sells his labor approaches what economists call the monopolistic competition market. In both cases, the profit he can obtain from his enterprise shrinks to the smallest level at which it is possible for him to maintain his enterprise, which economists call the point of *zero economic profit*. These markets are the root mechanisms of poverty. This is in sharp contrast to the independent tradesmen of the pre-industrial times, who more typically served what economists call the oligopoly market model or, in some rarer cases, the monopoly market – in both of which substantial economic profit is obtainable through the tradesman's enterprise. Smith writes,

The price of monopoly is upon every occasion the highest which can be got. The natural price, or the price of free competition, on the contrary, is the lowest which can be taken . . . The one is upon every occasion the highest which can be squeezed out of the buyers . . . the other is the lowest which the sellers can commonly afford to take and at the same time continue their business. – [*ibid.*, 1, vii]

The effect of the Industrial Revolution was to change the market the greater number of people faced in selling the fruits of their enterprises, and one in which the number of direct competitors they faced for these services was significantly greater than the number that had been faced by, for example, a shoemaker in the days before the Industrial Revolution. For the majority of people, therefore, the Industrial Revolution meant a significant curtailment of their economic liberty of action. Yet, even while this change was taking place, American society at large continued to maintain the traditional folkway habits-of-thinking characteristic of a society of independent tradesmen. These cultural habits presented the most intransigent obstacles the labor movement faced in the nineteenth and twentieth centuries. One predictable casualty of this change was the economic militancy of American society. Adam Smith wrote,

In years of scarcity, the difficulty and uncertainty of subsistence make all such people eager to return to service. But the high price of provisions, by diminishing the funds destined for the maintenance of servants, disposes masters rather to diminish rather than increase the number of those they have. In dear years, too, poor independent workmen frequently consume the little stocks with which they had used to supply themselves with the materials of their work, and are obliged to become journeymen for subsistence. More people want employment than can get it; many are willing to take it upon lower terms than ordinary, and the wages of both servants and journeymen frequently sink in dear years.

Masters of all sorts, therefore, frequently make better bargains with their servants in dear than in cheap years, and find them more humble and dependent in the former than in the latter. They naturally, therefore, commend the former as more favorable to industry. – [*ibid.*, 1, viii]

This "humbleness" is rarely anything more than a thin self-protective facade, but what the dependent person will do depends on many affective factors that are involved in adaptation of that person's manifold of rules. If the person feels there is nothing he can do about his situation – hopelessness – this is a source of frustration that favors Helot-like maxims of self-preservation. Habitual acting upon such maxims is often called, by other people, cowardice. If the person thinks there is something he can do to better his situation, and if his manifold of rules contains more aggressive maxims, he is likely to try to do that something. The more desperate his circumstance, the more likely it becomes that this something will devolve into violent behavior.

What a person thinks he has the liberty to do affects the militancy with which he will pursue that liberty, and this is a primary factor in setting the conditions under which a management can accomplish its prime objective. The human factor responds strongly to the civil conditions in which the person finds himself. The civil condition (or, at least, his precept of it) acts as one of the prime conditioners of adaptation of his practical manifold of rules. At the same time, it is also one of the prime conditioners for maxims that are developed by those in the management trade. Thus it is that understanding the principles of deontologically civil relationships is key to the governance of leadership in an Enterprise.

§ 5.2 Reconciliation: Carnegie's Tenet

The plutocratic organization – whether it is the political organization of a nation, the commercial organization of a business, or the charitable organization of a social institution – is an organization that will eventually fall from within. It may nominally endure for a long time, true enough, but eventual failure is inevitable for reasons we will discuss in the chapter on plutocracy. Whether or not it is possible for republican Enterprise to endure and avoid the fate of the plutocracy is another matter. There are no historical examples of enduring republican Enterprises for the simple reason that the republican character of Enterprise has not yet been made durable. To make it so requires: (1) a firm grasp of human nature; and (2) putting this understanding into practice in the leadership dynamics of the Enterprise. The requisites for doing so have not been put into practice by any Enterprise with a history extending much beyond the lifetimes of its founders, nor have the tradesmen-managers of such few Enterprises that have existed been educated to these principles. We will discuss this further in the chapters on republican Enterprise. Nonetheless, the practical possibility of making republican Enterprise endure does exist.

Some might protest that the United States is the premier example demonstrating the durability of republican Enterprise. Such a protest betrays a lack of analysis. The republican character of the United States has been on the decline since the mid-nineteenth century, the victim of a perversion

of democracy that the Framers of the U.S. Constitution rightly feared. Indeed, it was upon the question of how much democracy should be built into the institution of government that the 1787 Constitutional Convention came closest to disintegrating. James Madison recorded the following points of debate concerning how the House of Representatives should be constituted and elected in his Convention journal for May 31st, 1787:

Mr. Sherman⁴ opposed the election by the people, insisting that it ought to be by the (State) Legislatures. The people, he said, should (immediately) have as little to do as may be about the Government. They want information⁵ and are constantly liable to be misled.

Mr. Gerry⁶: The evils we experience flow from the excess of democracy. The people do not want virtue⁷, but are the dupes of pretended patriots. In Massachusetts it has been fully confirmed by experience that they are daily misled into the most baneful measures and opinions by the false reports circulated by designing men, and which no one on the spot can refute. . . . He had been too republican heretofore; he was still however republican, but had been taught by experience the danger of leveling spirit.

Mr. Mason⁸ argued strongly for an election of the larger branch [of government] by the people. It was to be the grand depository of the democratic principle of the Government. It was, so to speak, to be our House of Commons – It ought to know and sympathize with every part of the community; and ought therefore to be taken not only from different parts of the whole republic, but also from different districts of the larger members of it . . . He admitted that we had been too democratic but was afraid we should incautiously run into the opposite extreme. We ought to attend to the rights of every class of the people. . . . Every selfish motive therefore, every family attachment, ought to recommend such a system of policy as would provide no less carefully for the rights and happiness of the lowest class than of the highest orders of citizens. – Max Farrand, *The Records of the Federal Convention of 1787*, vol. 1, May 31

What the hymn-singers to greater democracy fail to understand and persistently ignore is that too much democracy favors, initially, *rulership* and eventual *tyranny* of a majority over the minority, and, in time and through such means as deceptive propaganda, *produces* rulership of a *minority* over the majority. It leads to violations of republican social contracts, the creation of a Toynbee proletariat, and the eventual devolution of individual attitudes back to relationship in the state of nature. Indeed, the United States is already in the situation of rule of the majority by a minority in a game of political musical chairs. Roughly 40% of eligible American voters – the American Toynbees – do not vote at all, and most elected officials therefore win their office with barely more than 30% of the *eligible* vote. No republic can endure in this situation.

It is in the nature of our current times that your author must explicitly say here that by "a republican social contract" he refers *in no way whatsoever* to the present day political Republican Party in the United States. This party is no more republican – indeed, in the past thirty years it has

⁴ Roger Sherman, delegate from Connecticut

⁵ By this Sherman meant the people *lack* information, i.e., are too uninformed.

⁶ Elbridge Gerry, delegate from Massachusetts

⁷ Gerry meant the people are virtuous and that lack of popular virtue is not the problem.

⁸ George Mason, delegate from Virginia

become *less* republican – than the current political Democratic Party. The United States today is a country deeply splintered into factions, heavily populated by a growing Toynbee proletariat, and traveling the same historical route by which the Roman republic marched to its destruction and perversion into an imperial plutocracy. The fall of republican governance in the United States comes more slowly than it came to the Hewlett-Packard Company, but it is in progress and has been for a very long time. As was the case with Rome, this route will eventually lead to civil war.

The character of the civil morality in any community is a prime determiner for the maxims of the individual's self-determination of his duties to himself and of the nature of the relationships he will form between himself and other members of that same community. When these individual duties come into unresolved conflict and relationships devolve increasingly back towards the state of nature, it has an avalanching effect that endangers the community's union. The breakup of that community becomes more imminent. The only prevention for this is through arbitration among and reconciliation of its members. Andrew Carnegie wrote,

I have noticed that the manager who confers oftenest with a committee of his leading men has the least trouble with his workmen. Although it may be impracticable for the presidents of these large corporations to know the working-men personally, the manager at the mills, having a committee of his best men to present their suggestions and wishes from time to time, can do much to maintain and strengthen amicable relations, if not interfered with from headquarters. I, therefore, recognize in trades-unions, or, better still, in organizations of the men of each establishment, who select representatives to speak for them, a means, not of further embittering the relations between employer and employed, but of improving them.

It is astonishing how small a sacrifice upon the part of the employer will sometimes greatly benefit the men. I remember that at one of our meetings with a committee, it was incidentally remarked by one speaker that the necessity for obtaining credit at the stores in the neighborhood was a grave tax upon the men. An ordinary workman, he said, could not afford to maintain himself and family for a month, and as he only received his pay monthly, he was compelled to obtain credit and pay exorbitantly for everything, whereas, if he had the cash, he could buy at twenty-five per cent less. "Well," I said, "why cannot we overcome that by paying every two weeks?" The reply was: "We did not like to ask it, because we have always understood it would cause much trouble; but if you do that it will be worth an advance of five per cent in our wages." We have paid semi-monthly since. Another speaker happened to say that although they were in the midst of coal, the price charged for small lots delivered at their houses was a certain sum per bushel. The price named was double what our best coal was costing us. How easy for us to deliver to our men such coal as they required, and charge them cost! This was done without a cent's loss to us, but with much gain to the men. Several other points similar to these have arisen by which their labors might be lightened or products increased, and others suggesting changes in machinery or facilities which, but for the conferences referred to, would have been unthought by the employer and probably never asked for by the men. For these and other reasons I attribute the greatest importance to an organization of the men, through whose duly elected representatives the managers may be kept informed from time to time of their grievances and suggestions. No matter how able the manager, the clever workman can often show him how beneficial changes can be made in the special branch in which that workman labors. Unless the relations between manager and workmen are not only amicable but friendly, the owners miss much; nor is any man a first-class manager who has

not the confidence and respect, and even the admiration, of his workmen. – Andrew Carnegie, "An Employer's View of the Labor Question," *Gospel of Wealth & Other Essays*

Again, leadership is not a trait of individual human character but rather a dynamic of social interaction. The identity of the leader at any moment in time is fluid; Carnegie's committees are an excellent *republican* exhibit of this fact and illustrate putting into practice principles of leadership governance supporting the prime objective of all leadership governance.

It is true that there is great specific diversity among the maxims, regard for duties, attitudes, prejudices, and presumptions found in every group of people. Indeed, the diversity will be as great as the number of people involved. Many theorists take one glance at this diversity and give up as impractical any hope, short of resort to force or the threat of force, of resolving the issues these cause. This is nothing else than the lazy pragmatism of a Mesopotamian despot. It exhibits the scholarly prejudice of ignorance cloaked in a facade of respectability by 17th century English philosopher and monarchist Thomas Hobbes:

Again, men have no pleasure (but on the contrary a great deal of grief) in keeping company where there is no power able to overawe them all. For every man looketh that his companion should value him at the same rate he sets upon himself, and upon all signs of contempt or undervaluing naturally endeavors, as far as he dares (which amongst them that have no common power to keep them in quiet is far enough to make them destroy each other), to extort a greater value from his contemners, by damage; and from others, by the example.

So that in the nature of man, we find three principal causes of quarrel. First, competition; secondly, diffidence; thirdly, glory. – Thomas Hobbes, *Leviathan*, 1, XIII

This merely empirical hypothesis of presupposition overlooks uncounted counterexamples in human behavior, and tends to dismiss those that its advocates do encounter as transient or due to special circumstances or unsustainable special conditions. Human nature, they contend, will always oppose these.

But although it is true that the exceptions flourish only under special conditions, it is not true that these conditions are unsustainably contrary to human nature. Quite the reverse is true. Amidst the diversities of individual maxims and self-determined duties, there is this common factor: that each individual seeks, as a prime duty to himself, for the best circumstances of life he can realize. The limit to which he *can* obtain them within the environment of a community is a limitation of his *liberty*. It is *civil liberty* if he has taken for himself a deontological obligation to participate in a civil community. If, on the other hand, he has assumed no such obligation, it is a mere *natural* liberty bounded by the physical, intellectual, tangible, and persuasive powers of his own person. The same factors of self-determination that moved him to enter into a real social contract within a community are the factors that move his self-determination to remain within it and enjoy the

benefits to himself it brings. But this obligation stands only for so long as the community does not act in breach of the trust he has had to place in others for the surety of the contract. *Mutual* obligation in community is *conditional* obligation *regarded* as categorical obligation. Hobbes was not too wrong when he wrote,

And because the condition of man . . . is a condition of war of every one against every one, in which case every one is governed by his own reason, and there is nothing he can make use of that may not be a help unto him in preserving his life against his enemies; it followeth that in such a condition every man has a right to every thing, even to one another's body. And therefore, as long as this natural right of every man to every thing endureth, there can be no security to any man, how strong or wise soever he be, of living out the time which nature ordinarily alloweth men to live. And consequently it is a precept, or general rule of reason: *that every man ought to endeavor peace, as far as he has hope of obtaining it; and when he cannot obtain it, that he may seek and use all helps and advantages of war.* The first branch of which rule containeth the first and fundamental law of nature, which is: *to seek peace and follow it.* The second, the sum of the right of nature, which is: *by all means we can defend ourselves.*

From this fundamental law of nature, by which men are commanded to endeavor peace, is derived this second law: *that a man be willing, when others are so too, as far forth as for peace and defense of himself he shall think it necessary, to lay down this right to all things; and be contented with so much liberty against other men as he would allow other men against himself.* For as long as every man holdeth this right, of doing anything he liketh; so long are all men in a condition of war. But if other men will not lay down their right, as well as he, then there is no reason for anyone to divest himself of his; for that were to expose himself to prey, which no man is bound to, rather than to dispose himself to peace. This is that law of the gospel: *Whatsoever you require that others should do to you, that do ye to them.* And that law of all men, *quod tibi fieri non vis, alteri ne feceris*⁹. – [*ibid.*, 1, XIV]

We see in Hobbes' words here yet another way of expressing what Rousseau would later call the social contract. Whether a person has ever expressed this tenet explicitly in his own mind or not, it is a common factor in every kind of communal relationship people form in association. Its unstated element is in essence a practical hypothetical imperative in a person's manifold of rules, and one need never have stated the tenet in objective terms for his appetites to be self-determined in accordance with this practical tenet. It is, therefore, *the deontological common tenet* in every organization in which multiple associates participate and why every multi-person Enterprise is an Enterprise of enterprises. ***The recognition of this common deontological tenet is and must be the starting point for every management precept of the governance of leadership.***

However, because most people do not philosophize about this fundamental aspect of human cooperative nature, misunderstandings, omissions of objective considerations, and incompatible *objective* precepts are typically encountered in experience within every organization. This leads to the divers tactical objectives and interests among the individual enterprises which comprise it.

⁹ "That offense not to be done to you, let you not have done to others"

Meeting the prime objective of leadership governance can therefore immediately be understood as *the objective of reconciling* the divers understandings of the associates in the Enterprise that led to the incompatible understandings and precepts. ***Reconciliation is the condition under which the one or few strategic objectives of Enterprise can be made compatible with the divers tactical objectives and interests of individual enterprises within it and is therefore the prime objective for administration of leadership governance.*** Reconciliation is the means by which objective congruence can be achieved among the members of the Enterprise association.

The second objective for administration of leadership governance, ***to produce and then exploit enthusiasm for this congruence in such a way that the concrete aims of specific Enterprise activities are accomplished through the joint efforts of the Enterprise membership,*** follows upon satisfying the condition of the prime objective. The degree to which this objective is satisfied is fundamental to whatever degree of success human agency can produce for the Enterprise and for the enterprises that comprise it. The administrator or manager in an Enterprise is called upon to be, in effect, a capable psychologist if he is to be in possession of real authority and to act successfully as an instigating leader within the Enterprise.

He is no more and no less a workman (laborer) in the Enterprise than any other, but to him the division of economic labor assigns the special job of psychological reconciler. The produce of those in the Enterprise adding to the value of that Enterprise's produce are the labor of its productive laborers. Still others in the Enterprise provide by their labor aliments needed to support the productive laborers, and these others are, economically, the usefully unproductive laborers. The successful administrator or manager belongs to this class of membership, and a standard gauge of success for him is degree of reconciliation he is able to broker in affecting the behaviors of others. This gauge, though, is a negative one; it measures by *lack* of reconciliation.

It is common for a manager within an Enterprise to also have other assignments such as "product planning" or "market forecasting" or some other such produce of intellectual labors of judgment. This, however, is peripheral and even orthogonal to his principal assignment and serves merely to help classify the objective nature of the authority to be vested in his position. In Adam Smith's terminology, it is nothing else than a second species of labor the structure of the organization has left undivided by putting it in the hands of one individual with multiple tasks to perform. Quite obviously it is always *possible* to divide a planning, forecasting, or other objective task from the task of leadership governance and to place it in the hands of a specialist. The general good of the Enterprise, though, crucially depends on the manager's or administrator's synergy-producing success in accomplishing the prime and second objectives of leadership governance. The synergy-producing success must, therefore, take precedence over the other

objective task because it is of comparatively lesser importance. Watson put his finger squarely on this when he wrote,

Naturally the key factor in the maintenance of good human relations is the individual manager, and when my father first went on the road for the National Cash Register Company, he learned a lesson in management that he made a permanent part of IBM. Right after he joined "The Cash," as it was known, he spent several weeks calling on prospects without making a single sale. His manager had him on the carpet, and after treating him fairly roughly, he said: "Young man, I'll go out with you when you call on your prospects, and if we fall down we'll fall down together." They went out and together made several sales. After that, having learned a little more about how to sell and after having recaptured his confidence, T.J. Watson found the job a great deal easier. The episode made a tremendous impression on him.

Today this same approach is expected of all IBM managers. The manager must know how to work with his people, how to help them, and how to train them. For example, if a salesman is having difficulty, we insist that his branch manager or even his district manager make a number of calls with him to help him improve. – T.J. Watson, Jr., *A Business and Its Beliefs*, 2

§ 6. Ownership

We have one more deontological question to deal with before moving on to considerations in detail leadership in its two main forms of governance (plutocratic and republican). This question is central to leadership because people's understanding of the concept affects almost everything having to do with the leadership dynamic. It is: *Who is the owner of an Enterprise?*

People's understanding of "owner" and "employer" in commercial organizations is colored by social and cultural folkways that are most often premised upon moral presuppositions linked to objective moral opinions (either consequentialist or virtuous) as well as to traditions. These understandings – and, actually, they should be called misunderstandings – are often a fundamental hindrance to successful leadership governance. While perhaps less obvious, these misunderstandings have their homologues in every sort of organization, whether it involves government agencies or institutions, public or private primary schools, public or private colleges or universities, charitable organizations, or even a Little League program. The issues, however, are most contentious and have the widest scope of impact in commercial organizations, and so we will focus upon them as the example for the others.

Mental physics teaches us that no thing is real unless one has a concept of it as an object *and* this concept is connected with other concepts that give it a context and from which is drawn the *meaning* of the object. Part of this context must include a concept that is directly linked to actual experience of some kind because, at their fundamental roots, *all meanings are practical* and that which cannot be the object of an actual experience cannot be practical. All things are real in some contexts, unreal in other contexts, and not-real in yet others. We seek a real context and meaning

for that thing we call an *owner*.

It is immediately obvious, or at least should be to you, that the idea of "owner" is without real context unless it is linked to an idea of "that which is owned." We have seen that a real Enterprise is an alliance of individual enterprises, and so we must ask: what is it in an alliance of enterprises that can *be* owned? Clearly this cannot be "the Enterprise" *per se*; the Enterprise is a thing of abstraction and it makes no sense to speak of owning an abstraction. As an Object, the Enterprise is a *noumenon* and we declare its *Dasein* from sensible effects in human experiences for which we position the *noumenal* Enterprise as *the cause of these effects*. The Enterprise as object stands right at the horizon of possible experience, and so to pursue a theory of Enterprise beyond this horizon is to chase into the metaphysical fogbank that lies beyond and indulge in Platonic fantasy.

Our knowledge of an Enterprise can never be more than knowledge of understanding its *Existenz*, i.e., understanding of *how* it exists. To ask *what it is* is a meaningless question *unless we agree to understand* the Enterprise *to mean* the entirety of all objects that together make up our entire understanding of the phenomena we unite under its idea. In terms of objective human judgment (in the process of determining judgment), the formal idea of Enterprise is a 2LAR of notions: (1) in Quantity, the notion of totality, which is the notion of a plurality of objects regarded as one Object; (2) in Quality, the notion of limitation, which is the notion of what does *and* what does-not "belong" to the Object we call the Enterprise; (3) in Relation, the notion of causality & dependency because we posit the *Dasein* of the Enterprise from effects we judge to stand in relationship to this Object as their cause; and, (4) in Modality, the notion of actuality, i.e. the notion of understanding by which we hold the Enterprise *to phenomenally exist*. This is the Critical ontology for that thing we call the Enterprise and, like all objects of human understanding, this ontology draws its objective validity from the epistemology-centered metaphysical first principles of the Critical philosophy.

What are the phenomenal objects whose union we call the Enterprise? This will differ from one Enterprise to another, but there are some common object classes that exhibit it well enough to suit our broad practical purpose. Here we usually find: (1) the plurality of individuals whose enterprises either produce, add value to, or provide aliments for (2) the stock of goods (whether tangible or intangible) that the Enterprise exchanges in return for (3) the revenue (returned goods, including any commodity of money, for which the Enterprise's goods are exchanged) that is both conceptually and legally associated to the Enterprise. Here especially we should note that *by common legal convention* it is *the Enterprise* that is said to *possess rightfully* the revenue, and not any specific individual who is associated in the community of the Enterprise. Thus we have the logically interesting, if ontologically peculiar, case where an abstract entity (the Enterprise) is

held by convention "to be the rightful possessor" (by which we mean "possesses rightfully") of a stock of goods (the revenue).

Among the individuals who comprise the community of the Enterprise, (4) there will usually be one or more specific individuals who, again by convention, are held to possess rightfully *the power to determine* how the revenue goods are to be distributed among the members of the community as a whole. These persons are those who common tradition usually calls "the owners" but, we should note, what they "own" (possess rightfully) is not the revenue itself but merely the power to decide how it is to be distributed. This is *ontologically distinct* from saying that they own the Enterprise itself. They do not, for example, own the other individuals associated in the community of the Enterprise. They may *or may not*, depending upon specific legal conventions applied to the Enterprise, possess rightfully the stock of goods to be exchanged for this revenue.

Often (although not always) the phenomena of the Enterprise include (5) real estate (land and buildings) occupied and utilized in carrying out the divers enterprises of the community. This real estate is typically held, again by convention, to be possessed rightfully ("owned") by (6) one or more of the participants in the Enterprise. Contrariwise, this real estate might be rented, in which case, again by convention, it is said to be possessed rightfully by (7) another party who is not regarded as a member of the Enterprise's community. In the first case, this real estate is part of *the capital stock* of those said to possess it rightfully and it is said to be *invested* by them in the Enterprise. Depending on the legal conventions by which the Enterprise is recognized as an entity, by the greater political community whose laws are the source of all these conventions, these individuals may either be held, by convention, *to retain rightful possession* of the real estate (in which case this legal right of possession continues in the event the Enterprise should be dissolved) *or* they may be held by convention *to have exchanged* this capital stock in return for receiving a share of the Enterprise's revenue (which is the usual case for a legally incorporated commercial entity). Again, these individuals cannot be called the owners of the Enterprise, but they can be and are correctly called its *capitalists*.

If the real estate is rented, the persons held by convention to rightfully possess the real estate are called the Enterprise's *lessors*, although the term *creditors* would be more accurate since rental property can properly be said to be *loaned* to the renters. Typically, they are not regarded as members of the community of the Enterprise. Instead, in exchange for *use* of the real estate they are said to possess the right to receive some agreed-upon revenue from the Enterprise in exchange. They are in no way "owners" in any context of the Enterprise itself.

The phenomena of the Enterprise may include (8) a commodity stock of money, typically called operating capital, obtained by exchanging for it a legal share of the revenue of the

Enterprise. The most common form of this arrangement is exhibited by the legal convention of stock shares in the Enterprise. Those who supplied the money commodity in exchange for a share of the revenue are likewise (9) the Enterprise's capitalists and they, too, are participants (in the context that they "have a financial interest" in the Enterprise) in its community. Furthermore, stock investors are typically permitted (in most legal forms of incorporation) to sell their interest (sell the stock that they hold) to another person and thereby transfer to him their original right to a share of the Enterprise's revenue. In this sense, the shareholders of the Enterprise (or, at least, some sub-population of them) might be regarded as a kind of wandering band of capitalist gypsies or transients who come and go in and out of the association of the community. Your author is not embarrassed to be called a "capitalist gypsy"; the label fits his actions quite well and over the years he has pitched his tent in the public parks of many a commercial community¹⁰. The legal interests of this sub-community are typically represented by (10) a small number of individuals typically called "the board of directors" who, again by convention, are legally regarded as participants and members of the community because, by law, they accept certain *fiduciary* responsibilities to the other shareholders, for which they are held *legally responsible*.

The phenomena of the Enterprise might include (11) a capital stock of money commodity *loaned* rather than *invested* in the Enterprise. The providers of this stock are called (12) the Enterprise's *creditors*. In exchange for this commodity stock, the Enterprise periodically pays the creditors an agreed-upon amount of money commodity (called interest) and agrees to repay the principal of the loan (usually called the "par value of the bond"). Like the lessor above, the creditors are conventionally *not* regarded as members of the Enterprise community and do not "own" anything related to it except the legal right to be paid the agreed-upon interest and repaid the agreed-upon principal by some set date. Like the stock shareholders, they also typically possess the right to sell this right to others (bond market trading) and, in a manner much like the shareholders above, they can be regarded as another class of gypsy capitalists who come and go in relationship to the Enterprise.

The Enterprise must typically purchase and consume (13) a stock of tangible and intangible goods in carrying out its activities. Counted in this stock are those sorts of intangible goods called services, as in, e.g., the services of a bank, a law firm, an advertising firm, a trucking or other transportation firm, etc. The providers of all this stock, both tangible and intangible, are called (14) the Enterprise's *suppliers*. The suppliers are generally regarded as persons or entities

¹⁰ I have always regarded the title "part owner" of any company in which I hold stock as an empty flattery. As an investor-shareholder, I exchange some of my capital stock to possess rightfully particular *legal rights* to revenue, again by legal convention, without which I would not have made the exchange.

independent of the Enterprise itself and, while they generally have a commercial interest in the Enterprise and the Enterprise has some degree of dependency on them, they are regarded as not being a part of the Enterprise *per se*. They might be said to be *allied by treaty*. Next we have (15) the purchasers of the goods the Enterprise produces and sells. They are called the Enterprise's *customers* and, relative to them, the Enterprise is one of their suppliers. The relationship between customers and the Enterprise is the dual of that between the Enterprise and its suppliers.

Lastly, there will typically be (16) one or more political institutions or agencies of society to which the Enterprise and all its people are legal subjects and which, by social convention, is held to possess rightfully the power to regulate the activities of the Enterprise and its people, and to enforce, if need be, the laws and sanctions of the society in which the Enterprise operates. Furthermore, this entity or entities are usually empowered by social convention to legally recognize or not recognize the corporate existence of the Enterprise, i.e., to allow or not allow it to exist as a legal entity. These entities are called the *government* to which the Enterprise is subject and they are, themselves, *public* organizations. While the government is granted, by society, a great deal of power over the Enterprise, it is usually regarded as not being part of the Enterprise *per se*, and this separation of Enterprise from government is what is generally meant by the *legal* concept of "free enterprise." This term, however, is misleading and subject to being abused. The government determines, for the wellbeing of the general society, limitations to liberty of action by the Enterprise. It might, for example, prohibit the Enterprise from employing children in its workforce, or from bribing individuals in other organizations to purchase its goods, or from conspiring with other organizations to raise the price of its goods. It usually prohibits the Enterprise from punishing misbehaving members by, e.g., whippings or beatings, or from dictating to them which candidates they are to vote for during elections. Rather than "free enterprise," the correct term, deontologically, is *liberty of enterprise*: that which the Enterprise is not forbidden to do, it may do if it has the ability and chooses to exercise that ability.

This is, in broad sketches, the social environment of the Enterprise. Now we consider in more detail the laborers whose collective enterprises comprise the Enterprise. This group of people constitutes the *workforce* of the Enterprise. It includes *everyone* whose labor enterprise makes up any part of the totality of activities the Enterprise undertakes and who receives in exchange for this labor some part of the stock of goods held to be possessed rightfully by the Enterprise. The workforce includes, if the Enterprise has one, its president just as much and just the same as it includes the man who cleans the toilets at night. These people are customarily called the *employees* of the Enterprise. The stock of goods each employee receives in exchange for his labor is usually in the form of money and/or stock commodity (and called his wages or his salary), and

sometimes includes other stocks of goods in the form of, e.g., health benefits, retirement benefits, etc. usually supplied by one of the Enterprise's suppliers and paid for by the Enterprise or by some combination of the Enterprise and the individual employee. The employee is said to possess rightfully this agreed-upon stock of goods he receives in exchange for the labor he has actually performed. *How* this exchange comes to be agreed-upon between the individual entrepreneurs and those *representatives* of the Enterprise membership who are empowered to determine this on behalf of the Enterprise as a whole is one of the crucial factors in the social-natural environment within the Enterprise, as is the way in which those Enterprise representatives come to be empowered to act as its agents of representation.

There is, however, nothing in any of this that *inherently* sets or defines "ownership." The deontological considerations we have previously discussed in regard to property apply here, unaltered, to the idea of ownership and proprietorship. Specifically, what is owned and who owns it is a matter of *social convention*. Suppose a man decides to found a farm implement dealership. He generally must make some capital investment in setting one up and, often, will also find that he needs (or strongly desires) to enlist the assistance of other people to labor as salesmen, do his bookkeeping, and so on but from whom he neither needs nor desires any investment in capital in order to set up his enterprise. The dealership – as a legal entity – is *his* enterprise. It does not become what we are calling the Enterprise until other people's individual enterprises become involved with it and associated with *his*. The dealership founder will generally not choose to undertake this enterprise without certain concessions that typically include such things as the right to possess the power to determine the policies by which the Enterprise operates, the management of its stock of goods (inventories, money commodity working capital, distributions of wages, salaries, benefits, etc.), and right to possess unilaterally the power to choose his associates (the "employees").

These powers of decision-making as well as the power to be the final arbiter over matters involving the operations of the dealership are part of *the intangible stock* of the Enterprise that he requires *society at large* to grant him *as his rightful possession* in exchange for his capital investment and his labor in establishing the dealership. So too are any of his *rights to possession* of the working stock of consumables and inventory such as the governing rules (laws) of the greater society sees fit to assign to him. That he may also take upon himself other labors, such as that of selling a tractor to a farmer or negotiating with suppliers of farm implement products, is irrelevant to the idea of ownership. In these labors he acts not as an owner or proprietor but, rather, merely as a regular member of the workforce of the Enterprise. If he possesses rightfully the power to determine how labor shall be divided in the operations of the dealership, he may

elect to do or not to do these specialized labors without affecting in any way his rights of possession of these other tangible and intangible goods.

These distinctions are deontologically important. In the strictest sense *he owns nothing but the particular rights of possession granted to him by the laws of the greater society in which he operates*. It is usually the case that these laws do not, and usually cannot *practically*, set out every single term or define every nuance of limitation to these rights of possession. For example, it is usually the case that the limitations of his power to *change* the agreements he makes with the other people, whose enterprises are associated with his, are not clearly set out in the legal system of the greater society. Setting these limitations out specifically is one of the main purposes for employment contracts. Nor is it typically wise for greater society to make its laws governing these matters too explicitly specific because of the contingencies that are part of the empirical experience of life. When greater society does try to do this, it is usually at the risk of threatening the unity of its own political community because laws made so specific almost invariably breach some part of the *political* social contract under which the society's *citizens* consent to cooperate and coexist with one another.

It is here at this juncture where something Mill wrote has the utmost relevance and should be carefully read and reflected upon:

[The] practical question, where to place the limit – how to make the fitting adjustment between individual independence and social control – is a subject on which nearly everything remains to be done. All that makes existence valuable to anyone depends on the enforcement of restraints upon the actions of other people. Some rules of conduct, therefore, must be imposed, by the law in the first place, and by opinion on many things which are not fit subjects for the operation of law. What these rules should be is the principal question of human affairs; but if we except a few of the most obvious cases, it is one of those which least progress has been made in resolving. No two ages, and scarcely any two countries, have decided it alike; and the decision of one age or country to a wonder to another. Yet the people of any age and country no more suspect any difficulty in it than if it were a subject on which mankind has always agreed. The rules which obtain among themselves appear to them self-evident and self-justifying.

This all but universal illusion is one of the examples of the magical influence of custom, which is not only, as the proverbs say, a second nature, but is continually mistaken for the first. . . .

The object of this Essay is to assert one very simple principle, as entitled to govern absolutely the dealings of society with the individual in the way of compulsion and control, whether the means be physical force in the form of legal penalties, or the moral coercion of public opinion. That principle is, that the sole end for which mankind are warranted, individually or collectively, in interfering with the liberty of action of any of the number is self-protection. That the only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others. His own good, either physical or moral, is not a sufficient warrant. He cannot rightfully be compelled to do or forbear because it will be better for him to do so, because it will make him happier, because, in the opinion of others, to do so would be wise or even right. These are good reasons for remonstrating with him, or reasoning with him, or persuading him, or

entreating him, but not for compelling him, or visiting him with any evil in case he do otherwise. To justify that, the conduct from which it is desired to deter him must be calculated to produce evil to someone else. The only part of the conduct of anyone, for which he is amenable to society, is that which concerns others. In the part which merely concerns himself, his independence is, of right, absolute. Over himself, over his own body and mind, the individual is sovereign. . . .

I regard utility as the ultimate appeal on all ethical questions; but it must be utility in the largest sense, grounded on the permanent interests of a man as a progressive being. Those interests, I contend, authorize the subjection of individual spontaneity to external control only in respect to those actions of each which concern the interests of other people. If any one does an act hurtful to others, there is a *prima facie* case for punishing him, by law, or, where legal penalties are not safely applicable, by general disapprobation. There are also many positive acts for the benefit of others which he may be rightfully compelled to perform; such as to give evidence in a court of justice; to bear his fair share in the common defense, or in any other joint work necessary to the interests of the society of which he enjoys the protection; and to perform certain acts of individual beneficence, such as saving a fellow creature's life, or interposing to protect the defenseless against ill-usage; things which it is obviously a man's duty to do, he may rightfully be made responsible to society for not doing. A person may cause evil to others not only by his actions but by his inactions, and in either case he is justly accountable to them for the injury. The latter case, it is true, requires a much more cautious exercise of compulsion than the former. To make anyone answerable for doing evil to others is the rule; to make him answerable for not preventing evil is, comparatively speaking, the exception. Yet there are many cases clear enough and grave enough to justify that exception. In all things which regard the external relations of the individual, he is *de jure* amenable to those whose interests are concerned, and, if need be, to society as their protector. There are often good reasons for not holding him to the responsibility; but these reasons must arise from the specific expediencies of the case; either because it is a kind of case in which he is on the whole likely to act better, when left to his own discretion, than when controlled in any way in which society have it in their power to control him; or because the attempt to exercise control would produce other evils, greater than those which it would prevent. – John Stuart Mill, *On Liberty*, I

The issue of ownership conventions within an Enterprise is highly entangled with the issues of civil liberty, societal mores, and political governance of a community *as the protector of its own members* because the actions of individuals in the community of an Enterprise can immediately rebound upon the personal welfare of others in that same community. Therefore, the nature of the social compact within an Enterprise is not separately independent of that of the greater political community as a whole. Also, as Mill points out, these entangled issues are made all the more difficult to resolve due to the power of blind custom, simple ignorance or lack of social concern. As Mill said, "what these rules should be is one of the principal questions of human affairs . . . [and] one of those which least progress has been made in resolving."

To re-emphasize the point, the founder of our example dealership *owns* specific and intangible rights granted to him by the greater society of which he is a part. The corollary to this follows at once: *he does not own the dealership* per se. Like his intangible civil rights, "the dealership" is an intangible entity. There is no materially substantial thing-in-nature that *is* "the dealership." His rights of possession are, deontologically, the only objects his founding activities and capital

investments bring to him in exchange.

The case is similar for the other members of the Enterprise workforce. They too, in exchange for the association of their enterprises with that of the founder and for their intangible capital investment of what we have previously called their *stock-of-time*, expect and receive rights to possess particular civil rights of *their* own: the civil right to receive the promised wages or salaries, to receive the promised health or other benefits, etc. What these civil rights are in any particular case depends upon the specific agreements entered into upon their acts of joining in the association of the community that comprises the Enterprise. Like the founder, *they, too, do not own the Enterprise*. In their asserting of the right to claim otherwise, Marx and Engels could not have been more deontologically in the wrong. They, and modern so-called "capitalists" – a very badly misused term today – were and are also equally wrong in claiming "the capitalists" (stockholders) own the Enterprise. As our example dealership founder case illustrates, *no individual can, with objective validity, be regarded as the objective owner of an Enterprise*.

It must seem, and will seem to many people according to long-established habits of thinking, that this conclusion must imply that either no one at all owns an Enterprise or else that all members of the community association do. The former position is the one adopted by state-of-nature-free-enterprise factionists; the latter is the position of Communists. *Both* implications are Critically false, and siding with either of them against the other produces a social-natural antinomy. There is, however, a Critically correct answer to this riddle.

The objectively valid *real* context for all ideas and concepts of ownership is the context of civil rights because outside of this context there is no objectively valid meaning for the idea *to possess rightfully*. In the state of nature the entire question of ownership and proprietorship is moot because in the state of nature there are no civil rights of any kind. But, equally, as all specific instances of possessing rightfully are contingent upon conventions, we cannot obtain a *Realerklärung* of ownership without establishing it in relationship to social compacts and contracts.

The antinomy referenced above arises from the application of habits of reasoning that take their fundamental ground from speculative principles of either consequentialist or virtuous ethics. Both of these, however, utterly lack practical objective validity and only a deontological solution exists. The antinomy arises because, under ontology-centered moral presuppositions, all questions of ownership must eventually come down to two ideas standing as the divided members of a logical disjunction of determinate judgment: (1) You *do* rightfully-own-X; and (2) You *do-not* rightfully-own-X. The antinomy lurks within the copula of this disjunctive pair of ownership relationship. If a person presumes one or the other of these judgments *must* be true, then this

presumes at the same time that the opposite *must* be false and the logical opposition of these two judicial positions is *the opposition (Widerstreit) of contradiction*. The advocates for the two sides cannot come to objective agreement in this case, which is sufficient in and of itself to demonstrate that the entire foundation of the disagreement lacks universal objective validity – which means nothing less than that neither opinion can find a moral grounding in an issue that is essentially moral in its very nature. The antinomy is *formally undecidable*.

However, Critical metaphysics teaches us that the choices presented above do not represent the complete relationship. There is a third possible determinant judgment, the concept of which is connected in context within the manifold of concepts under the fundamental Critical notion of the Quality of limitation. This is the *subcontrary* relationship: **You do not-rightfully-own-X**. Here the copula is assertive but what is asserted places the concept of that-which-is-rightfully-owned *outside the sphere of the predicate* "rightfully-own-X."

This predication announces that *rightful ownership of X is not covered by the existing convention*. It unveils the *Dasein* of a lack of real prior understanding among the people who are involved in the ownership question, and points to the real necessity to come to an additional conventional agreement for the practical purpose of preserving the unity of the Enterprise community and for the successful satisfaction of the divers purposes of its members. It points, in other words, to the existence of a *hole* in the social-moral fabric of the association itself. It brings into the light a previously unsuspected *outlaw relationship* that had been built into the social fabric of the community and which can *always* be remedied by a judicious and negotiated amendment to the social compact that grounds the possibility for the community to be a *civil* community. It must be emphasized that *the reconciliation must be jointly consented to by all*.

The subcontrary predication points to the specific *Existenz* of a particular contentious condition that threatens the real possibility of satisfying the prime objective of leadership within the Enterprise. This is *the specific universal need* of the community as a whole to act for the making of a more perfect union of their community relationships. The predication converts what is otherwise a contradictory, and therefore morally irresolvable, issue affecting obligation and duty to a merely contrary disagreement over the terms of the social union. Issues of mere contrariety in determining judgment are *always* resolvable through the identification of a condition under which a matter of disagreement can be resolved to the satisfaction of all concerned.

This, then, is the issue and question of ownership, as it pertains to Enterprise, and the Critical method for its resolution through leadership. With this we conclude our general analysis of the governance of leadership and proceed to examination of leadership in the two principal classes of

leadership governance: the plutocracy and the republic.

§ 7. References

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