Sources of excellence: An unorthodox inquiry into quality in recent U.S. presidencies, in business leadership, in management education, in Adam Smith's ethics, and in Pythagorean mathematics

Author: William R. Torbert

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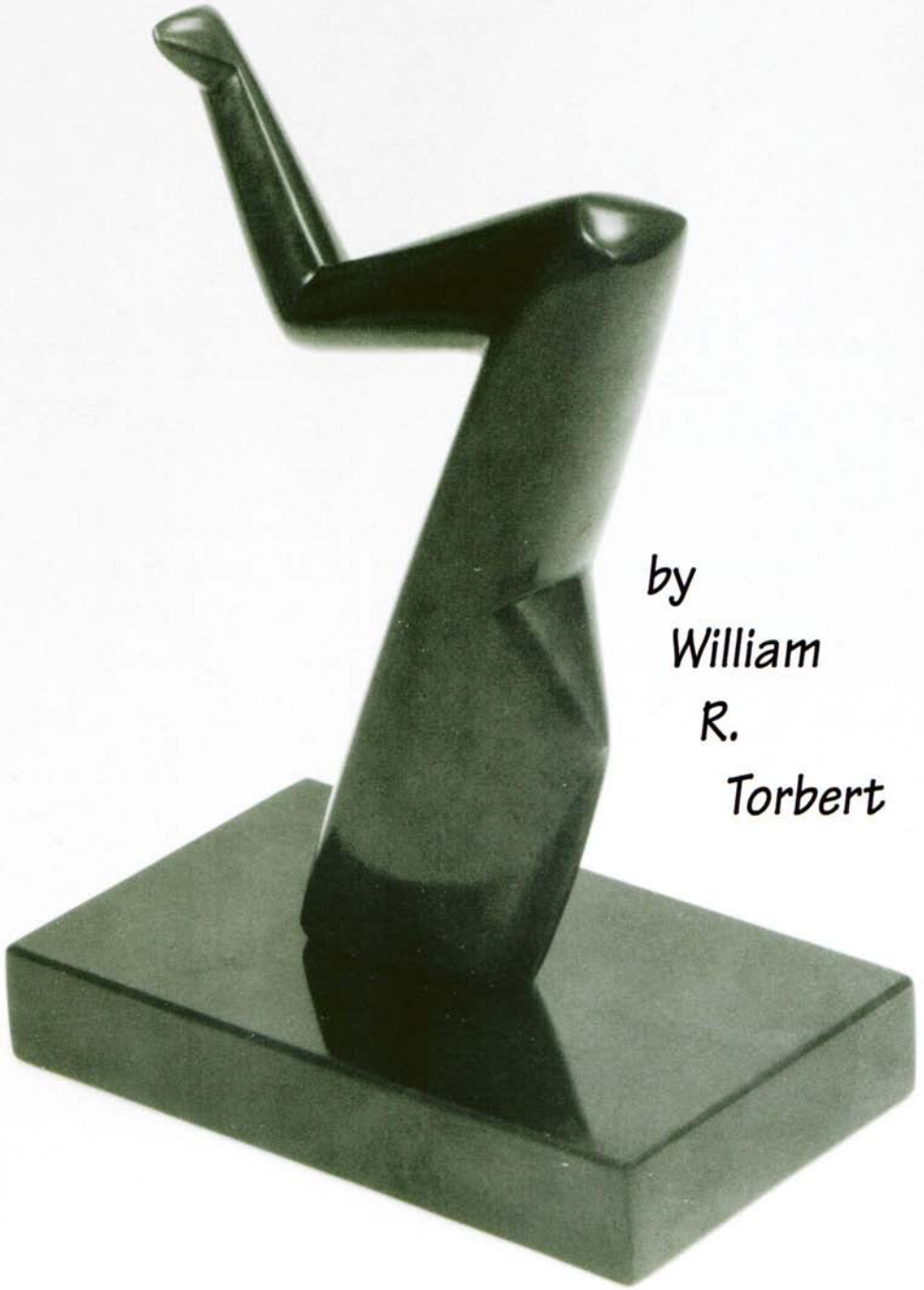
SOURCES OF



by
William
R.
Torbert

EXCELLENCE

SOURCES OF EXCELLENCE

An Unorthodox Inquiry into Quality

in Recent U.S. Presidencies, in Business Leadership, in Management Education, in Adam Smith's Ethics, and in Pythagorean Mathematics

by William R. Torbert

Cover Photo: ***"Standing Lightning"***
Bronze

A five-dimensional,
eternal symbol of a moment of six-dimensional,
illuminating action (see Lectures I, V).

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SOURCES OF EXCELLENCE

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PREFACE

SOURCES OF EXCELLENCE

An Unorthodox Inquiry into Quality

in Recent U.S. Presidencies, in Business Leadership, in Management Education, in Adam Smith's Ethics, and in Pythagorean Mathematics

This book is an unorthodox countertext that traces back through American political and business history to the sources of modern thought and beyond. In search of the sources of excellence - in search of the sources of true quality and, thus, of true quality improvement - this book returns all the way back to the early Greek integration of politics, ethics, and mathematics.

Nor is this book merely the author's univocal journey into the past. Instead, through its lecture and discussion format, complemented by photographs of works of art that were shown and discussed at the lectures, the book seeks to invoke and provoke each reader's own journey into his or her own experience.

The book is intended for liberal arts undergraduates, for masters students in business, public administration, or education, and for doctoral students in the social sciences, as well as for practicing executives and scholars who wish to challenge themselves with a daunting ideal of lifelong, axiom-transforming action learning. The book argues that such transforming learning is a key to quality improvement, practical efficacy, and excellence in the near-term, as well as to personal, corporate, and social development over the long-term.

Sources of Excellence swims against the current of most of managerial education, as well as most of discipline-based arts and sciences courses over the past generation. It will not become - and it should not become - a primary text in any discipline. Instead, it can best serve as a complementary text in any one of several disciplines: in management or political theory; in American history or economics; or in philosophy of science, ethics, or aesthetics.

The argument of the book is that personal, corporate, and social welfare are increasingly generated as each person, group, and organization exercises four great, intertwining leadership virtues.

The first and the primary virtue is the continual work toward developing a shared vision that is at once demanding and inclusive.

The second (and properly secondary) leadership virtue is a strategic capacity for exercising power in a fashion that simultaneously encourages discipline and freedom, productivity and inquiry, prosperity and justice. The third virtue is a capacity for moment-to-moment, timely artistry in speech, gesture, and movement.

And the fourth great leadership virtue is the capacity to create environments - not in removed, ivory tower settings but rather in the midst of ongoing action - that heighten awareness and learning from experience, including transformational learning that changes one's very assumptions and frameworks.

In order to encourage our citizens in general - and our corporate managers, not-for-profit executives, and government officials in particular - to develop these four intertwining virtues of executive leadership, we must re-vision our own history and re-conceive our ways of thinking about political and economic issues. Neither the conventional, conservative, Republican posture of reducing government and unfettering the free market, nor the conventional, interventionist, Democratic posture of using government to centrally guide the economy and increase its fairness speaks to our own spiritual or practical dilemmas in this decadent, post-modern period, here in the United States.

Still less does this whole way of defining and differentiating the political spectrum between market and statist poles address the global dilemmas of a uniting Europe, of a fragmenting Asia, or of a southern hemisphere that is by and large worse off after two centuries of command capitalism than before.

What political-economic approach does speak to our times has yet to emerge in practical, history-creating terms. The approach that this author envisions will emerge gradually (and by no means fully) as the following lectures and discussions trace the political economy of the United States backwards through history from our current malaise.

The discussion periods following each lecture, as well as the awareness-exercises and works of art introduced at each lecture are as significant as the lectures themselves. Here, the reader engages with the lectures as events and as attempts to demonstrate the kind of leadership and the kind of awareness-transforming learning that is being discussed in the lectures. Here, the reader gets to hear the questions others had as they heard the lectures and compare them to his or her own questions. From the discussions, the awareness exercises, and the art work, the reader may begin to gain an inkling of what the author really means by the upstream swimming that he regards as an essential element of great, visioning leadership.

The Book's Evolution

This book began as a series of lectures - first offered during the fall of 1980 to MBA students at the Carroll School of Management at Boston College - on the history and philosophy of the United States' economy and business culture.

At that time, the lectures both paralleled and presented a different point of view from, Robert Heilbronner's *The Making of Economic Society*.[1] The liberal economist Heilbronner saw modern market society, with all its blemishes, as a clear triumph of progress over traditional economies and transitional command economies, such as the Soviet Union. By contrast, these lectures sought to provoke students to consider seriously the ancient Athenian ideal of a corporate polity and of a form of human inquiry that interweaves ethical, mathematical, political, and economic concerns. The lectures argued and illustrated that the ancient Periclean-Socratic-Pythagorean ideal of executive leadership and corporate development is at once a higher ideal than the contemporary image of "economic man," a more complete description of actual business affairs, and a more practical guide for one's own leaderly actions than short-term profits.

Candor requires the confession that - however many occasional sparks flew from the dialectic between Heilbronner and the lectures, and between the dynamic lecturer and his students - the original sequence was a dismal failure. The early chapters of Heilbronner and the early lectures intended to complement those chapters followed the eminently conventional historical method of starting from the past and proceeding toward the present. The students' reaction was not to read the material, particularly not the material on Greek thought, because it was "irrelevant."

Attempting to learn from his experience, the lecturer reversed the sequence the following year, starting from the present and working back to ancient Athens. Although students were irritated to be reading the Heilbronner book from back to front (despite the lecturer's advice that all didactic books are best so read the first time), the course was far more successful.

Of course, one does not know what made the difference. Was it in fact this change in sequence? Or was it some other flavoring in the climate of the times, such as the fact that the lecturer - finding that his students correctly assessed him as "radical," but neglected to recognize that he was a radical *conservative* - let slip in after-class conversation that he had voted for Reagan in 1980?

In any event, the new sequence remained in place, and the lectures gradually formalized themselves into readings, then into the public lecture series, and that series has now been edited into this book (as well as into five one-hour videotapes). But even now, the reader should beware of treating what follows as authoritative. It is still intended as provocative, not as authoritative. In keeping with this intention, the lectures are not presented in scholarly, footnoted fashion, though supplemental bibliographies are appended to each of the final two lectures.

Through the years, the MBA students who have read these lectures have been asked to read, not only Heilbronner alongside, but also such varied works as Paul

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[1] Heilbronner, R. 1980. *The Making of Economic Society* (6th ed.). Englewood Cliffs NJ: Prentice-Hall.

Johnson's *Modern Times,* Freeman Dyson's *Disturbing the Universe,* Marguerite Yourcenar's *Memoirs of Hadrian* (far and away the most popular among students after initial skepticism), Robert Axelrod's *The Evolution of Cooperation,* or Alistair MacIntyre's *After Virtue.* And, of course, these students are studying conventional micro and macro economic theory (as well as accounting, marketing, statistics, and organizational behavior) at the same time.

These contextual factors are not the only ones that may have been critical to whatever provocation the following pages have exercised up till now, and that are largely missing from this book. Another contextual factor is that students have known the lecturer who directs discussion on these rather distant historical and philosophical topics primarily as a person dedicated to the pragmatics of effective action on a day-to-day basis - as a dean who counsels them on completing their program and as a consultant who coordinates the work of some sixteen student teams working with companies each year, as well as conducting his own consulting practice and sitting on several Boards of Directors. As unlikely as it may initially seem to them that the following lectures could positively influence anyone's day-to-day practice, these students are repeatedly faced by someone who is at least somewhat credible in practical terms - who is committed to the effective micro-managing of speech in each managerial encounter and to the effective strategic focusing of organizations for a given era, as well as to the effective reframing of one's very assumptions, one's very mission - one's very vision - whenever the opportunity arises.[2] Thus, the students know, in a way that the readers of this book cannot, that the abstract, macrohistorical perspective of this book is not the author's primary or vocational perspective.

While all these factors militate against this cold book, there are some contextual factors associated with the historical moment of the mid-1990s that are probably more favorable to the reading of this book than the 1980s and early 1990s were. The advent of the Clinton presidency represents a victory for the view that visionary executive leadership and strategically effective organizing - not just short-term manipulation and blind market forces - play a central role in economic well-being (the actual conduct of the Clinton White House may turn out to be quite another matter!).

At the same time, financial experts are perplexingly discovering that investments in socially responsible firms do not result in a sacrifice in financial return, as has repeatedly been assumed must be the case when one so narrows one's portfolio, but rather result in above-average financial returns. Does this suggest that

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[2] The titles of some of the author's other books suggest his pragmatic cast: *Learning from Experience* (New York NY: Columbia University Press, 1973); *Managing the Corporate Dream: Restructuring for Long-Term Success* (Homewood IL: Dow Jones-Irwin, 1987); *The True Challenge of Continual Quality Improvement* (co-author Dal Fisher; Maidenhead, England: McGraw-Hill, 1994).

visionary, responsible leadership that sets higher aims than merely the maximization of short-term profit tends to result in higher profits as well?

On the intellectual scene, Amitai Etzioni's development of the Society for the Advancement of Socio-Economics in recent years is supporting a heartening expansion of interest in the ways in which ethics, politics, and economics interweave, both in theory and in everyday life. Today, the message that integrating the ethical, the political, and the economic does not distract from economic performance so much as it can improve it does not sound so alien as in the 1980s.

Finally, with the full authority of authorship, I regard this book as an amateur's inquiry into quality, not a professional's. This characterization is not meant to shield the book from criticism. Instead, the word amateur is meant to display proudly its own French etymological root. For an amateur is a lover of the activity in question - one who performs the activity for its own sake primarily, rather than for the outcomes it may yield. All true quality improvement and all true excellence, the book argues, comes from a commitment that goes beyond that of a professional to that of an amateur.

In closing, thanks and gratitude are due the co-sponsors of the 1993 *Sources of Excellence* lecture series, held at Boston College. The cosponsors were the Andersen Consulting Fund, the Boston College MBA/Ph.D. in Sociology Program, the Boston Management Consortium, Franklin Research & Development Corporation, and Pilgrim Health Care. I feel an even greater daily gratitude to my assistant, Benyamin Lichtenstein, who has managed all aspects of the public lectures, the video editing, and the publication of this book. His good spirits and his dedication to excellence permeate this endeavor. Thank you, Benyamin.

Bill Torbert
October, 1993

INTRODUCTION

VISIONS OF DEVELOPMENT
in Business, Government, and Education

WILLIAM R. TORBERT

Carroll School of Management, Boston College

Good evening; and thank you for joining me and one another on this auspicious holiday that honors two of America's greatest leaders - George Washington, a prime creator of this union, and Abraham Lincoln, a prime re-creator of this union.

This lecture series as a whole is meant to honor, to illustrate, and to encourage ***excellence in action.*** Excellence in action is synonymous with great leadership that creates a union - that creates a unit of human experience - that creates a polity, a family, or a corporation. Great leadership generates excellence in action from others as well as from oneself. Moreover, to do so, great leadership exercises a rare type of power that I call transforming power. Transforming power is vulnerable, relational, and mutuality-enhancing. In terms of gender stereotypes it is more feminine than masculine. Thus, the kind of leadership and excellence in action that I am discussing is not an essentially elitist, hierarchical, masculine concept. Anyone and everyone in a social unit can potentially exercise such leadership. But, in fact, very few persons, including very few duly appointed or elected leaders, do exercise this kind of leadership.

Why? Because great union-generating leadership not only leads us downstream toward particular accomplishments, such as particular units of production; but also - and this is much the more difficult and rare quality of truly great leadership - it leads us upstream... against the current... against the current assumptions... great leadership leads us up and back behind all assumptions, to the actual experience of the very sources of excellence. This actual experience of the springs of excellence anoints each act of him or her who learns the art of continually swimming against the current, rather than merely 'going with the flow.'

If you ask me for examples of such upstream leadership here at the outset, I will mention, by way also of thanking them, several of the co-sponsors of this event. As a first example of upstream leadership, I wish to mention Joan Bavaria. A decade ago, people assumed that if anyone was foolish enough to invest their money based on social and ethical criteria - rather than financial criteria alone - he

or she would pay by receiving a lower financial return. Joan Bavaria–arguably the founder of social investing as well as of Franklin Research and Development Corporation, and writer of the Valdez Principles–led the way in creating a whole new industry, and we are now discovering that companies with responsible ethical, social, and environmental practices are frequently better financial investments than an average company.

As a second example of upstream leadership, I wish to mention Bob Krim. A decade ago everyone knew that Boston city government was the last city in the United States where you would find city employees' performance appraised on the basis of merit. Bob Krim, the first graduate of the BC MBA-Ph.D. in Sociology program came along and changed all–initially functioning as an intrapreneurial Boston middle manager, and then, in an act of public entrepreneurship, creating the Boston Management Consortium which now brings the resources of some 80 Boston area companies into play in improving city services.

As a third example of upstream leadership, I wish to mention Allan Greenberg Today, newspaper headlines are full of our national health care problems, and local papers have frequently brought the troubles of Blue Cross/Blue Shield and of Bay State Health Care to our attention. Meanwhile, Allan Greenberg has been piloting Pilgrim Health Care into a position of the state's most rapidly growing, most customer-responsive–Consumer Reports ranked Pilgrim first in their summertime national survey–and lowest administrative cost managed health care organization, with a deep commitment to an ongoing quality improvement program. It is a model not of this era in the health care industry, but for the next era of the health care industry.

I thank these leaders at the outset of these events for their example, and I thank them as well tonight, along with the other co-sponsors and my assistant, Benyamin Lichtenstein, for their help in making these lectures possible.

The kind of against-the current, upstream leadership that Joan Bavaria, Bob Krim, and Allan Greenberg exemplify is an essentially meditative, inquiring direction of leadership. This meditative, inquiring direction is also reflected in many historic political speeches. For speech is, properly, not the opposite of action, but its very essence. Not as we often say, "Stop talking, start acting", as though they were the opposite. That's only ineffective incoherent talk. True talk, good talk, effective talk is the very essence of action. Speech can question assumptions and invite dialogue. Speech can frame purposes and interactions and it can point in directions. Very rarely do we find people who do all those at once. Consider Washington's Farewell Address that has influenced all of our subsequent history; or Lincoln's Gettysburg Address, which may have made it possible to redress the wounds of that great civil war. Consider Martin Luther King's Letters from a Birmingham Jail; or–and we'll get to this in the fifth lecture–Pericles' Funeral Oration, which defines Athens as a great school, in the same way that James Wilson, one of the first Supreme Court justices, defined the United States as

a great school. But we've lost the sense of what that really could mean. I hope we retrieve this sense of public life as adult schooling by the end of these lectures.

There is a phrase that evokes this meditative, inquiring upstream quality of great leadership - and, astonishingly, the identical phrase is found at the heart of the practice of two otherwise extraordinarily different traditions - namely, the Jesuit tradition and the Tibetan Buddhist tradition. The phrase is, simply,

"meditation in action."

Meditation-in-action - the phrase suggests that finally, great leadership integrates the downstream movement of doing business - of accomplishing particular tasks - and the less familiar, less visible upstream movement of meditative self-questioning self-education - of questioning assumptions, of widening one's vision.

What such meditation-in-action involves - and what the signs of such questioning of assumptions are - these are questions these lectures will edge toward and attempt to illustrate. My wish is to speak provocatively more than authoritatively, and there will be plenty of time for discussion after each lecture. I hope that you will not just question me, but offer your own comments to all of the rest of us, so that a genuine ongoing conversation develops over the course of these occasions. If our dialogic discussions each time are any good, they should illustrate this meditative action of great leadership even better than the lectures themselves.

Even before we get to that discussion, however, we might join together in trying to exercise upstream leadership for just a minute. I just recently heard that a survey of private schools–none of them Quaker or Friends schools, because as some of you know the Quakers have a tradition of silence–found that one of the elements of the more successful schools was that at the beginning of each administrative meeting and class they would have a moment of silence. What people do in these silences is of course their own business.

But we have words for trying to swim upstream in silence–"prayer", "meditation", "inquiry". And I'd like to ask you if you would join me for just a short minute of silence, that could bring us together in a different way, and that could be part of your attempt as I continue to talk, to listen in a way that's not just glued to my words but is your own inquiring at the same time as you're listening. So if you'll join me for just a short time, we can try to go there together.

Pause for a minute of silence

I might also bring your attention to this bronze sculpture–its name is "Standing Lightning". It's a wonderful symbol of what can happen at a moment in which one tries to move back upstream toward the heavens at the same time as one continues to act on earth. There can be moments of illumination, and such moments have a certain claim to eternity, just as this bronze statue does.

The sculptor, despite getting an MBA from Harvard, is so shy that if he were here he wouldn't want me to introduce him. He does wonderful work, that can serve as reminders that there is this other reality besides the one I'm stuck to at a given moment.

That moment of silence, and this sculpture, may suggest to us that upstream questioning of assumptions need not be imagined as a necessarily verbal process. I don't think upstream questioning is necessarily verbal. It is also not necessarily a grave process. In fact, upstream swimming requires going against the grave, going against gravity . It requires attuning ourselves to the dimension of levity.

In this regard, I was delighted to read the interview in TIME magazine with Bill and Hillary Clinton just after their election. When the editors asked what they said to one another when they woke up the morning after the election, President Clinton responded, "She looked at me, and I looked at her, and we just started laughing." In such levity I read the potential - not the actuality, just the potential - for upstream leadership. God knows, the Clintons are going to need all their ebullience during the coming years.

On the other hand, by no means all of President Clinton's words and actions have seemed to me to point to a potential for upstream leadership. For example, the metaphor in his Inaugural Address about "forcing spring" struck me as a deeply disturbing symbol of technocratic self-seriousness. Moreover, the theme that was *missing* from Clinton's Inaugural Address also struck me as significant - the New Covenant theme that he mentioned early in his campaign that has not reappeared. Like Bush's New World Order theme which he seemed to grow forgetful about, the New Covenant theme throws up a momentary vision of some new kind of union. But such a theme must be sounded and re-sounded, articulated and re-articulated, embodied and re-embodied in everyday action to draw more of us upstream toward wider vision. When such themes are mentioned and then dropped by public leaders, all language begins to lose its promise - becomes viewed as mere posturing.

One question for the future - a question that we must swim upstream to ask again and again - a question that we must learn to ask and answer in dialogue with other cultures around the world - one such question is, "What kind of new union are we seeking? What kind of new personal and world order, based on what kind of new personal and global covenant, do we wish to construct?" In order to help us ask this question of our future, these five lectures attempt to remove the historical assumptions that blinker our vision, that keep us from swimming back upstream toward widening vision.

A Preview of the Five Lectures

When I first offered these lectures to MBA students, in the conventional sequence from the past to the present, they didn't much listen. After all, what possible relevance could anything that happened in 400 BC in Athens or

in 1453 AD in Byzantium, or in 1759 in Scotland or in 1881 in Philadelphia have for today's business problems? I decided to respond to the MBA's underwhelming enthusiasm, even though I did not agree with them. So, I changed the order of the lectures the following year: I started backwards from the present, and thereby discovered by accident what the real logic of this lecture series is.

I discovered that what I am attempting to do is to characterize the assumptions which, like parentheses, enclose each wider era. The attempt is to see, and perhaps even see through–and thereby to a small degree dissolve, each wider set of parentheses, moving gradually backwards, upstream toward the very source of unfettered vision itself.

Please take a look at the following outline of this lecture series (see text below), and you may wish to ask a few questions about our overall direction before I start in on the first lecture.

I am interested in tonight because of the title. I'm wondering what you mean by "decadence"?

Decadence occurs as the boundaries of a unit stiffen, become fragile, and cease to reliably bound the unit. The unit ceases to reliably be a unit. In human, political terms, decadence occurs when a sense of common dilemma and common purpose declines, or when a sense of shared meaning and value decreases. A society becomes decadent when a culture loses even the sense that there can be a shared purpose, and that a continual re-searching for it–a continual upstream swimming–is worthwhile.

So, in my view, the absence of leadership that integrates upstream re–search with downstream accomplishment generates decadence; whereas the presence of such leadership generates growth. Tonight, I'm going to try to illustrate the absence of upstream leadership by looking at the last 30 years, and I'm going to look at our presidents briefly, and in some senses stereotypically, because those are people that we all know, so they're examples that we share, more or less.

So you're using "decadence" as in decay or stagnation, and not growth.... Not big, juicy Decadence... [laughter!]

Well, both. There gets to be a kind of rapid alternation during a decadent period between a dryness and despair and a juiciness and over ripeness and ripping apart of the boundaries of the fruits.

Outline of the five lectures

Tonight's lecture argues that the thirty years between President Kennedy's assassination and the present deserve to be considered a period of decadence - not the terminal decadence of *fin de ciecle* Vienna at the end of the Hapsburg Empire, we can hope, but decadence nevertheless. I will suggest that the sources of this decadence are to be found in the absence of against-the-current,

upstream-swimming leadership. And I will offer an initial definition of the four intertwining strengths or virtues of such upstream leadership that each of us can cultivate in our particular sphere of work, in our particular sphere of intimacy, and in our particular sphere of spiritual search.

In the second lecture, I attempt to leap nimbly to the obverse argument. I will claim to have sighted upstream leadership in Franklin Delano Roosevelt's presidency and certain other leadership acts of the 1933-63 period in the history of the United States. And I will suggest that these acts - not World War II and not the for-that-time-unprecedented governmental deficits - are primarily responsible for the world-historically-unprecedented growth of the U.S. economy during that era.

The third lecture will look back to the U.S. during the period between about 1850 and 1933 - the period during which managerial capitalism evolved and managerial education was first formalized, starting with the Wharton School in 1881. Who remembers that Joseph Wharton's motto, which would read strangely across the Wharton School's facade today, was "Work is love made visible"? Focusing on the examples of Andrew Carnegie and Sears & Roebuck in the late 1800s and the early 1900s, the lecture will illustrate what upstream leadership means - not just at the national level, as illustrated in the first two lectures - but in terms of a particular entrepreneurial career and a particular company. This third lecture will also suggest that there is a powerful analogy between the U.S. political economy at the turn of the 20th century and the global political economy at the turn of the 21st century. Finally, the lecture will argue that management education as practiced during the past century - whether at the Wharton School in Philadelphia or at the Carnegie Institute in Pittsburgh does not - let me repeat, does not -prepare its graduates to exercise upstream leadership of the sort that Joseph Wharton and Andrew Carnegie themselves exercised.

"Why not?" you may well ask. The third lecture will offer a preliminary response to that question, and the fourth lecture will continue in greater depth. The fourth lecture will attempt to show two things. First, it will attempt to show how Adam Smith's first book - *The Theory of Moral Sentiments* was, to put it simply, wrong. Next, the fourth lecture will offer a modest analogical generalization of the foregoing point. Namely, it will suggest that the entire modern project - from the breaching of Byzantium's walls by the cannon, as well as the breaching of Catholicism's orthodoxy by the printing press, both in 1453 - is as wrong-headed and wrong-handed as Adam Smith, and is wrong-headed and wrong-handed in the same way as Adam Smith. The modern project has been to develop a type of science, a type of action, and a type of education that deals only with efficient causes and proximate consequences, not with the original sources or ultimate ends of action.

The argument will be that the modern type of science, action, and education draws us downstream, away from leadership that questions assumptions, and that Adam Smith played a key role in the development of an economic theory which obscures the profound leadership task of discovering and rediscovering the sources of excellence.

In the fifth lecture we will harken all the way back to Athens in the 5th century B.C. - to Pythagoras' kind of science, to Pericles' kind of leadership, and to Socrates' kind of education. In the Greek term for excellence - arete - a kind of excellence that integrates ethics and efficacy - we will find one alternative vision of development, more inclusive than the notion of economic development. We will also find one alternative practice to current Total Quality Management programs for swimming upstream toward the sources of excellence.

There are no references to the great religious leaders in here. When you're talking about the sources of unfettered excellence, I'm kind of curious. Are you by purpose emphasizing the secular order of things?

Well, I'm starting more or less in the secular order of things. But by the fifth lecture I hope to return to Pythagorean mysticism and share a little bit about that. My next lecture series ten years from now will be entirely devoted to that issue.... And I hope I'll make enough comments to suggest that I do very much have spiritual leaders in mind as well, although the interesting question is that we have not seen a full integration between the spiritual and the temporal. Perhaps the best example of such an integration is Gandhi. Martin Luther King perhaps. But Nietzsche said that what we need is a "Caesar with the heart of Christ" and we haven't seen that yet. .... And you know what happened to Nietzsche (he went crazy), so you'd better watch out following his advice.

FIRST LECTURE

SOURCES OF DECADENCE:

The U.S. 1963 – 1993

WILLIAM R. TORBERT

Carroll School of Management, Boston College

I date the beginning of America's current decline from President Kennedy's assassination on November 22, 1963, even though the decline became starkly visible only a decade later with the painful winding down of the Vietnam War, the first oil shock, and the Nixon-Watergate grotesqueries.

This thirty year period of decline became starkly apparent in the reduced productivity, increasing inflation and national debt, and falling standard of living of the late 1970s, culminating in the deep recession of 1980-82.

Even the apparent return to prosperity during the 1980's, according to macro-economic indicators, did not reverse the underlying decline in America's industrial core, the increase in unemployment averages, the continuing reduction in the standard of living for the average family unit, and the widening gap between the rich and the poor.

This continuing decline became starkly visible once again in the recession and continuing stagnation of the early 1990s, leading up to the 1992 Presidential election, in which one ordinarily non-credible candidate garnered nearly 20,000,000 protest votes, while another often-non-credible challenger defeated a sitting President who had just acted as Commander-in-Chief in the first United States wartime victory in fifty years.

President Bush was defeated because of his obvious lack of initiative or strategy for the economy, indelibly imprinted on our national subconscious by his inside out performance at a Japanese state dinner with business leaders in January of 1992. President Bush was defeated because of his obvious political exhaustion and unattractiveness, as symbolized by his inability to attract the full commitment even of his closest political handler, James Baker. President Bush was defeated because of his obvious lack of vision.

The argument of this lecture will be that the absence during the past thirty years, of four great, intertwining virtues of executive leadership is primarily responsible for America's economic, political, and cultural decline.

The first, the primary, and the most important leadership virtue is the capacity to articulate and to embody a vision, a dream, a promise that calls a people beyond themselves, that calls a people to the task of upstream swimming, that calls a people toward greater vision. For without vision, nothing at all can become evident, let alone self-evident. Without vision, there are no self-evident truths, such as those upon which the unity of this Republic is constructed.

The second, and properly secondary, leadership virtue is the exercise of power in a way that can make such dreams come true. By "*such* dreams" I mean dreams of a particular kind. I mean dreams that articulate the challenge of upstream swimming, dreams that act to widen and deepen everyone's vision, dreams that become increasingly public, dreams that help us to awaken more frequently beyond our illusions.

Table 1:

Four Leadership Virtues that Evoke Excellence

I. Vision-ing

Generating increasingly widening and deepening vision throughout the family, organization, or society

II. em-Power-ing

Exercising power in an appropriately vulnerable, mutuality-enhancing, transforming way

III. Timing

Artistry in action; performance that weaves together the immediate, the long-term, and the eternal

IV. School-ing

Creating learning organizations, where adults simultaneously learn and produce

Such dreams cannot be made to come true by a process of unilateral force. Hence, unilateral force - the only kind of power most people are aware of - is the least effective type of power from the point of view of generating a widening, empowering vision. I have characterized and illustrated exercises of a different type of power–of an empowering type of power–in my recent book ***The Power of Balance.*** Suffice it to say here, for the purposes of this introduction, that such exercises of power are counter-intuitive and paradoxical in that, while they may even include the use of unilateral force in the short-term, their effect, in the longer-term and in wider contexts, is to generate mutuality rather than obedience and conformity.

One of the primary arenas of human life wherein each of us needs to exercise a great deal more imaginative vision is this arena of how we exercise power - and this is true equally, it seems to me, whether we imagine ourselves as relatively powerful or as relatively powerless in social terms today.

A third, and properly tertiary, great virtue of leadership is artistry in action What the aesthetics of improvisational artistry in political action might look like and mean, we can scarcely imagine. But we do know that we are talking about an art that is primarily temporal, like music, rather than primarily spatial, like painting. Artistry in action is a matter of timeliness.

For example, there has been an argument for a hundred and forty years about whether Abraham Lincoln was truly concerned about emancipating this country from slavery, or whether the Emancipation Proclamation was merely a tactical ploy to increase the likelihood of preserving the Union. The more carefully one studies what actually occurred, the more strongly one gains the impression that Lincoln's release of the Emancipation Proclamation was an act of impeccable political timeliness, which maximized the effectiveness of the decision for both ends at once–both the end of recreating the union and the end of creating a new empowerent, a new mutuality, a new equality within this union.

A fourth and also absolutely necessary virtue of leadership-that-integrates-upstream-inquiry-with-downstream-productivity is the ability to transform organizations into learning settings as well as productive settings. Put at its simplest, a learning organization is one that fosters great leadership at more moments from more of its members.

Put in terms of the four virtues of great leadership that I have just enumerated, a true learning organization is one where the vision, strategy, operations, and actual outcomes (e.g. sales) of organized activity are discussed. In a true learning organization, feedback about each of these four qualities - not just financial/economical information about revenues - is solicited. What each of the four qualities means and how to count it is a matter of public discourse. For example, the relative artistry in action of any given organizational member, as well as the variance in perception and judgment about artistry in action, begins to become publicly discussible only if the organizational performance assessment process gathers

information about actual performance as well as outcomes, and gathers that information from peers and subordinates as well as from the superior. (Pilgrim Health Care and Franklin Research and Development Corporation are among the small vanguard of companies that are today experimenting with this kind of multi-sourced performance assessment.)

In addition, in a learning organization, incongruities among vision, strategy, performance, and outcome are discussed; and learning experiments are conducted - sometimes planned, more often spontaneously to generate increasing alignment between widening vision and intended outcomes.

This kind of learning-in-action involves identifying and learning from instances when effects are not those intended, in order to experiment with different ways of acting that result in increasingly achieving the outcomes desired. To learn while in action is difficult indeed. For learning-in-action requires *publicly acknowledging error,* raising one's own awareness (widening and intensifying one's vision) so as not to repeat the mistake, and experimenting with changed behavior or even changed strategies. The MBA students here who have worked with me have had a taste of what this means on a day-to-day basis - how much energy, confusion, and satisfying breakthrough one encounters.

This kind of learning-in-action - occurring simultaneously at the personal, organizational, and societal scales - is the essence of continual quality improvement toward excellence.

The source of excellence, in other words, is a kind of attention that increasingly spans the four qualities of experience - vision, power, action, and outcome - that 'tastes' and 'suffers' incongruities and disharmonies, and that turns toward greater harmony - 'turning, turning, till, at last' in the words of the old Shaker song that we heard again at President Clinton's Inauguration, 'we come round right.'

The Kennedy Promise

Let us apply this model of generative leadership to the Presidency of John F. Kennedy.

Many have recently argued that John F. Kennedy in fact accomplished little in his 1,000 days in office and have marveled at how his charisma swept us momentarily into an insubstantial Camelot. And, of course, no one can tell whether Kennedy would have delivered on his promise had he lived. But what I believe was most important about Kennedy—what I believe the United States has missed in its chief executives ever since that day—was precisely his promise.

That he was young and somehow personally promising, like Bill Clinton, no doubt added to the power of his message. But I am talking about his dream, his vision, his promise to use all of us in a noble mission. He challenged us to widen our vision from the very moment of his Inaugural Address ("Ask not what your country can do for you; ask what you can do for your country..."). He challenged

us to reach beyond ourselves, beyond our borders to bring the best we could offer to other countries - and it turned out that the best we could offer were young Peace Corps Volunteers willing to meditate-in-action - willing to swim upstream questioning their own assumptions about how to help - willing to learn from those other countries. Kennedy challenged us to explore beyond the earth's boundaries (leading eventually to the moon landing). He challenged us to make civil rights a living reality in this country.

And, by the way, I don't think most of us appreciate what great ambassadors those early Peace Corps volunteers were. I happened to be in Somalia at that time and saw in many an Islamic hut the photos of Peace Corps Volunteers, of John Kennedy, and of Pope John XXIII.

Kennedy's promise was not his only leadership virtue, but it was his leading virtue, and it was profoundly important that he led with his promise - that he repeatedly articulated this ennobling sense of mission.

Nowadays, the fact that Kennedy was also an unblinkingly realistic manager of power, usually just outside the public eye, is trumpeted about as though it puts the lie to his promise. Even more recently, in keeping with our decadent slide, discourse has shifted from analysis of his exercise of public power to stories about his personal life. Now, it is true that one may exercise power in ways that contradict one's dreams. But one must in fact exercise power, with clear mind, prudent eye, obedient mouth, and unshaking hand, if one is to real-ize anything, if one is to make dreams come true at all.

Kennedy's sense of timing during campaigns and his willingness to alternate pressure toward some ideal with compromise and even benign neglect is sometimes used as evidence of his lack of true commitment to those ideals; but only by persons with little or no experience of the infinite complexities and subtleties of managing. Kennedy's willingness to exercise power shrewdly, and his general ability to subordinate the exercise of power to the primary leadership task of articulating a challenging vision, strike me as his second, and properly secondary, great leadership virtue. How difficult it is to achieve this balance between the primary and the secondary leadership task is evident from the failure of every succeeding president to come close.

Kennedy's ability to strike this balance reflected the third great leadership virtue - artistry in action. His enthusiasm for playing football and sailing, his visible patronage of the arts, his ability to discriminate fine rhetoric from the crude and the banal, and his existential humor all pointed back toward a commitment to artistry and excellence in action.

There are many ways to fall short of artistic excellence in action. Mere acting ability is not the key. Alone, an actor's ability to offer polished public performances may accomplish no more than to mask confusion by diverting attention to the entertaining master of ceremonies, as Reagan so adeptly illustrated during his years in office. On the other hand, a bungler, no matter how sincere or how

cunning, can do no more than bungle. Moreover, habitual or customary behavior, however carefully disciplined, can bring nothing new to life. But - properly subordinated to an ennobling vision and the acute exercise of power, and also in the service of creating a learning organization or society - artistic excellence in action (with its aesthetic concern for balance and its invitation to others to ask the same of themselves) is a necessary element in making widening dreams come true. Whereas the classical ideal is one of balance and harmony within a formal work of art - and of exquisite timing in particular arts such as music and ballet - I am asking us to accept a far higher challenge - the challenge of spontaneously fashioning works of art in the midst of our daily organizational and familial life.

The fourth great virtue of executive leadership - the ability to create settings wherein participants (including oneself) can identify and learn from instances when effects are not those intended - is the leadership virtue that can least assuredly be attributed to (or shown to have been missing from) Kennedy's style, because of his foreshortened term of office.

However, even during his short 1,000 days, Kennedy exhibited several striking examples of such conduct. His public assumption of responsibility for the Bay of Pigs fiasco is one such example. The Bay of Pigs C.I.A.-supported invasion of Cuba represents a case when power was not properly subordinated to vision and when a learning process did not occur during the initial decision-making. Kennedy had accepted, relatively uncritically, CIA evaluations of the initiative, developed during the Eisenhower years; but rather than blaming subordinates for the debacle, he took personal responsibility. Kennedy's repeated use of news conferences as educational occasions is a second indication of his intuitive commitment to a vision of leadership as educational. A third example of his predisposition to learn from experience in the midst of the action of his presidency was his change in strategy for how to deal with Khrushchev, between the time of the Vienna summit when he attempted to talk rationally and the Cuba missile crisis when he learned to speak symbolically. Returning from Vienna to the U.S. through Paris, where he met with President DeGaulle, Kennedy quickly appreciated the Frenchman's advice that he not begin with personal diplomacy vis a vis Krushchev, but rather relate to him through a mask of command.

Since the Assassination of President Kennedy

Since the assassination of President Kennedy, there have of course been other efforts to articulate versions of "the American Dream"—whether we think first of conservative versions such as those of Milton Friedman or George Will, whether we think of liberal versions such as those of Bobby Kennedy or Eugene McCarthy, or whether we think of the explicitly spiritual political leadership of a Martin Luther King. But none of these efforts has intertwined closely with the exercise of power. This very distance between ennobling vision and the daily exercise of power contributes to the cynical and self-emasculating belief that assertions of public

interest are never more than a means to advance private interests.

Since the assassination of President Kennedy, there have of course also been other efforts to exercise power, the second virtue of great leadership. But here we immediately come face to face with the degenerative effects of exercising power without the proper subordination to demanding vision. Most commentators now agree that the most immediate economic source of the inflation of the 1970's was President Johnson's effort to wage two different types of war at once—the war in Vietnam and the War on Poverty—without seeking a public mandate for either and without "bothering" the public with taxes sufficient to cover the costs. This was, in the very short term, a wily way to create the social policies that Johnson wished. In the longer term, the effect on our economy and polity has been little short of catastrophic. This exercise of power without the development of a nationally shared vision and agreed-upon priorities eventually resulted in:

- 1) a progression of ever-increasing federal deficits that overheated the economy and generated sustained inflation;
- 2) the loss of both the Vietnam War and the War on Poverty;
- 3) the disintegration of national support for 'affirmative action' on issues of social justice; and
- 4) the crystallization of a national unwillingness to pay for what we do.

The Nixon-Kissinger era that followed was characterized by a demonic obsession with power. This obsession prolonged the Vietnam War years after the promise to withdraw. It generated the extraordinary spectacle of Wage and Price Controls instituted by a Republican President. And, as we all know, it terminated in the Watergate disease and the subsequent, uncontrolled 'damage control.'

Even the unequivocally positive and historic 'opening to China' was the fortuitous result of a 'balance of power' strategy, rather than of any distinctly articulated vision. Or, should I practice a virtue which does not instantly suggest itself in relation to Nixon and Kissinger? Should I charitably congratulate them for the vision and acuity of action to real-ize this historic opportunity?

By contrast to the Nixon years, the Carter years were haunted by the discrepancy between a visionary human-rights-based foreign policy, on the one hand, and a lack of artistry in action, on the other hand. This continuing discrepancy eventuated in one embarrassing episode after another, whether the president was fending off rabbits in a rowboat, stranding hostage rescue missions in Iran, or whining and wringing his hands over the malaise in America.

Only for a single month-long moment did Carter happen upon a type of servant leadership that he could perform artistically and which he has been performing so inspiringly ever since—the personal consulting he conducted between Anwar Sadat of Egypt and Menachem Begin of Israel in reaching the Camp David accords. In its embarrassment, the nation elected a far more artistic performer in 1980—a professional actor.

Positive Sum Games, Zero Sum Games, and Negative Sum Games

What happens when a nation or a corporation lacks a unifying vision or mission that guides the exercise of power toward artistic action that both achieves intended outcomes and learns from experience, refashioning itself and improving quality when it has failed?

In the absence of a widening, unifying, motivating vision, each national or corporate constituency shucks all wider and more long-term commitments as forms of luxury or sentiment it can no longer afford, and vies instead for its own narrower ends and for increasing power to impose its will on the environment. The already-powerful are in the best position to become more powerful under these circumstances, yet the total "power pie" diminishes because of the friction between the constituencies. In such a negative-sum game, the competition becomes ever fiercer as the total power pie diminishes, and virtually everyone feels the worse for wear. Just this decadent, negative-sum dynamic has been visible throughout the U.S. political economy since the middle 1960s.

During this time, what was then, before the dismemberment of the Soviet Union, the second largest planned economy in the world - namely our Department of Defense-became an ever larger proportion of the federal government. At the same time, the federal government as a whole has increasingly crowded out, rather than encouraged, corporate investment borrowing in the capital markets. Large corporations, in turn, increasingly controlled prices in their industries until the shock of global competition in the 1980s. Moreover, throughout the 1970s until the deep recession of 1980-82, labor unions regularly negotiated wage increases, work rules, and benefits unrelated to increasing productivity. Finally, throughout this period, individuals and social groups have increasingly approached institutions with an attitude of entitlement first rather than an attitude of service, making us the most litigious society in human history.

In the absence of a demanding, unifying, ennobling mission, society as a whole comes to be viewed from a passive, consumer's point of view rather than from an active producer's point of view. From a consumer's point of view, the economy is an already-created buffet of goods at which the significant question is: how the fixed-sum of goods get distributed. In this case, the obvious first principle is: if you get more, I get less. Hence, Lester Thurow's well-known book, *Zero-Sum Society*. If I am to get more, I must lobby it away from you. But the situation actually becomes worse than a zero-sum game once it is viewed as a zero-sum game. As illustrated in the foregoing paragraph, we have in fact become a negative-sum society.

The consequence of this negative sum dynamic is exactly what one would predict: our standard of living has declined continually since the early 1970s. This continual decline has been masked by the rise in two-income families beyond the working class. But this phenomenon, initially an outcome of women's liberation, has since become a phenomenon of stark necessity even for the middle class. Even

so, the proportion of young marrieds who can afford to buy a home has declined precipitously. And, of course, the divorce rate has risen enormously over this period, greatly enlarging the class of single-parent, female-head-of-house hold poor families.

And there, for this evening, I will stop.

What comments, or arguments, or questions are awakened in you by these sudden dashes through the past 30 years of U.S. history? And, what theoretical concerns are aroused in you by the notion of the four intertwining leadership virtues?

Here is a handout that provides one more layer of detail to this notion of the four leadership virtues that encourage the integration of upstream swimming toward the sources of excellence and downstream swimming toward excellence in action, in production, and in serving the customer.

Please. Let's talk together. I will not focus so much on responding to you myself as on choreographing conversation among all of us by a gesture here or there...

Table 1a:

Four Leadership Virtues that Evoke Excellence

I. Vision-ing Generating increasingly widening and deepening vision throughout the family, organization, or society	*Clarifies & Coordinates* I. Mission II. Strategies III. Routine Procedures IV. Intended Results
II. em-Power-ing Exercising power in an appropriately vulnerable, mutuality-enhancing, transforming way	*Interweaves types of power* *in the following priority:* I.Transforming power II. Technical, expert power III. Diplomatic, reference power IV. Unilateral force
III. Timing Artistry in action; performance that weaves together the immediate, the long-term, and the eternal	*Optimizes efficiency, efficacy & legitimacy* *by integrating productivity & inquiry across the following time horizons:* I. 21 yrs. - a generation II. 3-5 yrs. - a strategic era III. 1wk-1yr - routine cycles IV. 0 - sudden emergencies or opportunities
IV. School-ing Creating learning organizations, where adults simultaneously learn and produce	*Creates organization over 21 years,* in which the above is true, with Board & senior management focused primarily on I & II, Middle management on II & III, Sales, service & support on III & IV

QUESTIONS, ANSWERS AND AUDIENCE INTERACTIONS

Sources of Excellence: Decadence and Decline from 1963-1993

Is it possible to recognize excellence as it occurs, or does it only become apparent as one looks back?

That's a wonderful question. Certainly we are aware of the historical phenomenon that prophets are often recognized as such only after their death. At the time, they were not understood. It's hard enough to recognize excellence in the formal arts; it usually takes 20 or 30 years for those strange sounds or odd looks on the canvas to begin to feel as though they may be creative rather than arbitrary. There seems to be a *tremendous* tension in recognizing particularly excellence in action.

There seems to be an even greater tension in the case of action—that it's difficult to recognize excellence at the moment of action. And YET, if I'm right, the ultimate point of excellence in action is to coordinate different eras–the long-term, the short-term, and the immediate. This is the meaning of timeliness: one puts the action one is taking in a large enough frame, and connects it closely enough to the strategy of the current organization, and to outcomes that may actually happen, that people can appreciate it.

But one is always walking the line there, because people's vision tends to be very short. Especially when they're in action. Because they can go back at night and read their philosophy and widen their vision, but the next day, they haven't had a second cup of coffee, and they're just irritated by the question at the meeting, instead of recognizing its creativity.

So that is a matter of tremendous tension. If you look at different historic periods, and at different organizations, you see some that are much closer to recognizing excellence in action. In fact, one of the most dramatic practical things that organizations can do, and only a very few have begun to do this, is to institute appraisal processes whereby not just the boss appraises the actions of the subordinate, but the peers and the subordinates appraise the action. And as people begin talking to one another about the actual effects of people's actions—not just on the boss but on the people who need to be influenced on particular occasions—a much better discourse begins to develop about what is truly constructive, excellent action.

I really resonate with this, in terms of increasing our awareness of these attributes that are associated with excellence. And that being aware simultaneously is what you're talking about. I think I'm reflecting some of what you've said. There seems to be an unclarity in terms of the definition, which I'd like you to explore a little bit more. I listen to what you were saying. I heard about five or six definitions of it. One was that it exists at the top of an organization, because you talk about people in power—e.g. presidents. This is one definition, but it also has other definitions. And even in that context it seems to suggest

that some people would not be included. In fact, Martin Luther King, you said, was 'not in power' as you suggested.

It raises questions even about artists, like Beethoven—does he have power—or Buddha—does he have power. So it needs a little bit of development I think.

I think you're right, and I think the examples throughout the lecture pick out people that we already know a little bit about. So they will often be people that socially seem to have power of one kind or another. For example, Adam Smith had some kind of power over us apparently, of the sort that John Maynard Keynes talked about when he said, "It's not the current politicians that have power, it's the dead philosophers and economists who are running our minds today." So there are obviously different types of power, and I don't think they're necessarily associated with somebody who's in a position of formal power.

One of the things I want to argue is that there are a variety of types of power. So, no matter who you are, whatever your position is, it is important to learn how to coordinate the different types of power. Most of us will be, are, or have been parents, we know that there are various forms of unilateral force that we use with children. Maybe not slapping and whipping any more, but it's the rare parent who's never used any form of unilateral force with their child. The problem is when unilateral force becomes the primary, the first, and the only type of power that's used. But sometimes we hold the child from crossing the street. I had one who leapt right out there—many a time I held him from going there. So there are different ways of using unilateral force. We all exercise a certain amount of unilateral force. We need to properly subordinate it to the other types of power if its going to be constructive.

One of the things I'm advocating is that we not make power a dirty word any more. We should look carefully at how we each use power. And the ultimate point for me would be to develop toward the possibility of exercising what I would call "Transforming Power". According to my understanding of human development and organizational development, you cannot force a person, an organization or a society, to move to a later stage of development, whereby they reconceptualize and widen their vision of the whole world and of their relationship with it. No amount of power (in any form) could do that.

The more one sees that and the more one's in families with rapidly developing people in them—children—or in organizations which are rapidly changing and evolving, the more one wants to learn how to exercise transforming power which involves creating mutuality with the other person. Gandhi was in some ways an absolute master of this, although as we know he wasn't as good at it inside his own family.

So you work more and more on the problem of exercising transforming power, which tries to present things clearly, strongly—often has a strong direction to go in, but wants to stop and find out from you whether you see it that way, or how you object to my approach, and wants to work through that objection, so we can go

there together. Because if we don't do it that way, we're not really going together; I'm just dragging you along. And as soon as I stop dragging you're going to go the other way.

This sound similar to Taoism. The vision of leadership and process takes the Tao te Ching into account.

Yes, I do see a similarity. Although, you know, in the Tao te Ching there's that statement that "The greatest leader is one that nobody knows. That the people say, 'we've done it ourselves' after its done." And obviously I'm putting a great emphasis on leadership here and I would include visible leaders. I'd like to see this approach influence visible leaders. I think they'd become more visible through exercising this. At least for a time. If this were played out long enough, then I would imagine a sense of leveling—as we're seeing in American companies, a reduction of leadership hierarchy—and the leadership would increasingly be a team building type of leadership. The sense of individuals whipping people along would diminish tremendously.

Of course the great mystical traditions *all hold* that there are invisible leaders guiding the world. The truly, truly great leaders are so focused on this upstream swimming kind of leadership and are so different in their practice from what we see every day, that they partially protect themselves by remaining invisible to the public. I'm talking here about the Sufi tradition in Islam, which is very important for us to understand, since on its outer face Islam seems to be quite primitive in this age. Islam also has a very sophisticated inner face which we need to know.

Bill, the examples you offer give one message that's a little bit different than what you're talking about. The examples you gave, there's a correlation between what you describe as good and organizations and leaders that are succeeding in a relatively short time. But I don't think that's what you mean, particularly in response to the first question where excellence and transformation can be achieved in the short-term, the middle-term and the very long term, and immediate success –survival –is probably not a very good indicator. In fact—if one twisted it around—if we look at the most successful organizations–the Fortune 500 organizations –every 20 years half of them drop out. We have Tom Peter's book on Excellence and more than half of those companies aren't considered excellent any more. So you might want to look at a different range of examples, some have very short term, some medium term, some very long term effectiveness. That way, people are less likely to misinterpret you and more likely to appreciate the importance of bridging the paradox between short-term success and longer-term transforming excellence.

Right, that would be interesting to do, to get a better range of examples. But let me come back again to what I was saying before. In the past, some people have said, "Well I'm not successful now, but my idea is right"–the Marx's of this world

who nearly kill their families in their enthusiasm for their own ideas, and who excuse lack of success in the present time on the grounds that society is hostile to their ideas–I don't want to give anybody that excuse any more. Because I think that too many people have developed ideas that are tremendously inhumane, based on a lack of testing in day-to-day life, which could teach them about themselves and could widen their awareness.

So in a way, I want to keep the feet to the fire in terms of present success. Although I don't want to argue—certainly not—that present success is necessarily a sign that one is exercising this kind of leadership.

But there can be, for example; it can take a great deal of courage to choose not to succeed in the present, and to defer that success and to have that long term faith.

Well, I think that's true. A debased way of talking about what success is can directly lead to the destruction of good things. In fact, we see that when we get back to Athens. We see Plato talking in *The Republic* so clearly–in a way that our corporate presidents ought to read–that a country can grow too strong, can grow too big, just as well as too small and too poor. And right then, as he was talking about what was already beginning to happen, Pericles the great leader was going too far towards Empire for Athens, and losing the moral source of the city. So, it's certainly true, that the pace of growth in the outward sense is an incredibly difficult thing to manage, and it needs to be managed. You can grow too fast. You can grow too big.

I've just been sitting in on a series of strategy sessions with a company in which for the first time they are saying "we are going to stop accepting all opportunities to grow." They see that they are constraining themselves in certain ways by accepting too many opportunities. But boy is it interesting to watch how time after time people say, "But we can't do that, that's an opportunity to grow! We can't say 'no' to that." And they come back and they go through the whole argument again about why it may be necessary to the welfare of the company, to the long-term growth opportunities of the company, not to grow right now. They've just called a moratorium on a certain kind of growth for six months, and they went over it four times with the senior management to get people to understand what was going on there. Because some people were reaching the conclusion, saying "I can't believe this, we don't want to grow any more." And others saying, "No that's not being said. What's being said is that the only way, or a better way, to create longer term growth is to freeze on this area for the time being."

But you're right. That kind of thing is very very difficult for people to get, and very important to get. I hope I can rework this so I can take that point into account enough.

Couldn't there be something comparable to an aesthetic experience, for recognizing excellence in action, that we all share in some ways, when we see

it—whether it's in the family, in the community, in the business. An aesthetic sense. I think there is a response. When we see excellence in action, when we experience it, we feel enlarged by somebody's vision, we feel compelled by it, we feel energized by it. We welcome it. There is this longing on the part of all of us, for excellence in action. We just normally move toward it.

Well, we normally move toward it, but some of us get threatened by that same thing that excites others.

But I do agree with you that there is an aesthetic sense, which we have to cultivate. Just yesterday I was watching an old movie—the Sand Pebbles—with my children. There's a point in the movie when the captain of the U.S. gunboat is ordered by the Navy not to shoot. The small Chinese boats near the gunboat have signs saying "release this murderer." And even though the sailor is not a murderer, the other sailors don't like him and think their own lives are in danger, so they start shouting to the captain, which is a mutinous act, "Give Holman Up! Give Holman Up!" The captain, who is in a terrific tension about this, turns a water gun on the Chinese boats to get them to move back and to show that he's not listening to them. Then he jerks the gun back toward his own sailors—they've already become hushed. He jerks it halfway back, turns it off, and then turns around and walks back into his cabin, so as to avoid the confrontation that would have made the whole thing a mutiny.

That is an incredible exercise of timing in leadership. The men look at one another, they put their guns back and go back to being sailors; they know they've just been spared a really ugly situation. Now, my sons didn't get it at all [laughter]. They thought he ducked the opportunity, they thought "That guy's weak." They didn't get the overall context and what he would have sacrificed had he taken that action.

So the aesthetic sense that tells you about excellence in action is one that has to be cultivated, and one that we all have to cultivate together. Which partly we do through these conversations. But that concern with the aesthetic is very true I think, and there is a taste.

Bill, aren't you saying that these four qualities are not only important for people with position power, but for common people? That for example Margaret was talking about: how we make this an everyday routine challenges us as we live, and deal with our families, with our society, and as we struggle within our organizations. And it becomes important for us to bring this to our children, and bring it into schools, and start to teach this as a routine, as a way of being with our children.

I think so.

Just another story about seeing a movie with my children. After we saw Dances with Wolves. We came home and it was dark. And I asked the children what they saw about the totem pole we have; what seemed to be its spiritual character. They

said, "Well it seems to have all sorts of animals." And I said, "What does that seem to suggest." And we talked about that a little bit.

And I said, "What's the animal at the top?" "Well, it's an owl." "Why do you think the owl is at the top?" "Well, because the owl has greater vision. It can see in the dark." Which I thought was a great answer.

And that is our problem. The electrical illumination is an illusion. It makes us think that we are in the light, but we don't really know what's going on. To see what's really going on we have to exercise a vision as though it was dark here.

With my children we turned out all the lights in the house and tried to see each other. And of course you can see people almost as well with the lights out once you're vision adjusts as you can with the lights on.

I'm looking on the handout at the description of #4 Schooling, which says, 'Creates (a learning) organization over 21 years.' Something about that concerns me, which is about organizational structure and excellence, and how you hierarchically lay these things out.

Specifically, middle management focus on #2 and #3, empowering and timing. I've been working with a number of organizations that have been cutting out middle management fairly aggressively. Do you think those organizations can't evoke excellence without that element? I'm confused as to whether that's a suggestion or a basic assumption of your thesis.

Well, it's a suggestion, just to evoke further thought. I don't think any organization of any size can fully cut out middle management in the short run. Even organizations that are interested in creating autonomous work teams learn that there is a need for a kind of supervision for the work teams. Now, what middle managers know about supervision today isn't what's needed for the teams, but there is a different kind of leadership which is more mutuality-enhancing that middle managers need. So in a sense the whole work force needs to move up in the kinds of power they understand and can use. But its going to be a long, long time. The 21 years is meant to indicate that this isn't the kind of 'one strategic era' move that can really transform an organization fully in a three to five year period.

Of course, today and in the last decade, CEO's are having shorter and shorter terms of office. There's been a kind of political realism that says, "You shoot your wad on one major three to five year initiative, and lose all your political capital, and you move on to the next place." I think that's again just another sign of decadence in our society.

So whether ultimately it's possible to get rid altogether of middle management I can't tell, though it affronts my sensibilities of the kind of development people need to go through. I think very much that adults in their twenty- to thirty-five year age range need a period of middle management in order to begin to appreciate the issues of power that we're talking about here. All the ancient texts suggest that one can become a mature political leader only at the age of 50, and the whole idea

of having it happen earlier...

I remember somewhere, I think in a Taoist text: "At the age of 40 I began to learn how to hear. And at age 50 I began to learn how to see"... and so forth. I think those big, big changes in one's appreciation of what's going on in a political setting, such as a corporation, happen very, very slowly. So I personally doubt that it's going to be possible to eliminate middle management.

Now of course there's a tremendous middle management bloat in current organizations, so that isn't contrary to reducing middle management. I'm sure that's only a partial response.

First of all, I'm very impressed. This was quite thought provoking and stimulates me to think about a current situation that I find myself in, and that we all find ourselves in. On one hand we want to believe that we're at the beginning of a wonderful 8-16 years of readjustment to the way we've organized ourselves. But at the same time I've become involved in the town government of the smallest town in New England, by area: one square mile—4000 people. Town meeting form of government.

Over the last year its been facing an economic crisis brought on by unwise borrowing, mortgaging the future, and unwillingness to pay taxes, a decline in public services. Thus, I see this sense of decadence not only on a national level, but all around me.

In our small town I hope we're starting the process of trying to look clearly at what some answers might be, and a lot of it has to do with some of the things that Clinton has talked about in terms of The Covenant. What is it that makes us a Union. What are we willing to pay in order to have what our vision says we should have in a small New England town.

For me, the next four months are going to be very interesting as I look, since I'm on the finance committee, on how we address our problems economically; at the same time Mr. Clinton is going to be trying to transform the biggest economy in the world.

Young Abraham Lincoln was quoted as saying, "Who will be the architect of our destruction. Will it be a force, an army? Absolutely impossible. It cannot happen. If we are to have an architect of our destruction, it will be ourselves."

So if we are going to destroy ourselves we will do that. On the other hand if we are going to transform ourselves—and I hope to God we will—I think we're at the beginning of a new era.

Well said. It's that hope and that fear that inspired me to offer these lectures.

I think one of the reasons we don't see more of these kinds of leaders that you're talking about, is that people aren't willing to be vulnerable when they're exercising their power. Why might some people be willing to?

My question is similar. You suggest to us that we should exercise this upstream style of leadership in our personal and professional lives, by going against current assumptions, and breaking traditional roles, question theories and practices... It all seems very risky. Whereas in a business school like this they teach you to diversify risk. How do I manage these different management techniques? The rare quality of this upstream management versus the more traditional downstream management.

In a very general way, its about finding the areas in your life where you are dissatisfied and things aren't working now, and therefore taking a risk ain't going to hurt much because you ain't gettin' much now. It's a matter of being artistic and wise and prudent about finding your initial risks when you're still learning, so that they aren't as big as they might otherwise be.

A lot of it has to do with this. Before you start this process of experimenting with a more mutual, vulnerable type of power–and I have this in every course I teach– students say, "I can't do this in my company. Nobody would let this happen in my company." There's just a million reasons why the students can't start to do it. There's a tremendous fear just before beginning this process that it's a cataclysmic process.

But if you can get some help and get some coaching, and just start little in different places, and get some confidence of success, then you can start going bigger. Before you start, there's no sense of scale of where to start first, which is where you're question is coming from.

One of the best things you can do is get two people and talk with them once a month, and talk about your efforts in everyday life, and the risks you're thinking about taking and whether to take them or not. And just coach one another.

What is accepted as excellence? For example, the Japanese and German view of excellence is very different from ours. Part of decadence is the instant-gratification syndrome that has permeated even the highest levels of our corporate culture, what we expect of our CEOs.

Well that's true, and yet, true excellence always goes beyond the existing culture. All the great artists and the great leaders end up questioning the culture and perhaps reconnecting to a still-deeper tradition. Because every tradition has its depths and its closer understandings to the true stream of the tradition.

There's a great Sufi story where you're asked to compare which of two mystics is closer to continual God-consciousness. One of them said, "I have drunk my fill, I am intoxicated by God." And one person says, that's it, that's the most you can get. And the other mystic is quoted as having said, "I am always thirsty, I never get enough." And somebody says, well, he's obviously having trouble getting the good stuff.

But the 'right' interpretation is that the thirsty guy is higher, because he is constantly tasting for God. He doesn't think he's got it already, he's still inquiring.

That sense of inquiry is very deep in the Sufi tradition, even if the orthodox Islam is very open and shut, black and white and so forth.

Would you comment on the sacrificial nature of this type of leadership. One of the difficulties I see is that there is suffering and loss. For example, in the Gettysburg address, Lincoln said that the world would never forget what would happen there. The nation was transformed to a stronger Union, but at such a cost of life, even Lincoln's own life. Do you see this as a difficulty in exercising that type of leadership? That it is somewhat sacrificial, and it does involve suffering and the experience of loss. Even in looking at the four elements—Visioning, Empowering, Enacting, Schooling. When you're creating the new vision you're losing the old vision. When you're learning something new there's always a loss in that transformation.

Yes, and transformation always implies the death of a certain kind of structuring of the world, a loss of meaning. The greatest leaders are focused on the reality of death. The lesser leaders, the real devils, are the ones who make you think you can forget about death and avoid it. The great leaders are the ones who are dying all the time in small ways, and preparing to face death, and feeling the emptiness, and the suffering, and the lack of connection that really exists here. It's not creating new suffering, its just being aware of the lack of connection that exists, and suffering that lack of connection. Not making myself invulnerable to it.

[Applause]

SECOND LECTURE

SOURCES OF ECONOMIC GROWTH:

The U.S. 1933 – 1963

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Economists reviewing the history of the Depression, World War II, and the 1950's have noted that President Roosevelt had been running unprecedented federal deficits throughout the 1930's. Public debt climbed from $17 billion in 1929 to $42 billion in 1940. Roosevelt chose this risky and controversial course of action in response to economist John Maynard Keyne's dictum that government intervention to reinforce demand could help to reignite economic growth.

Nevertheless, the country was still mired in depression. Conservatives who claimed that government intervention was only impeding the curative powers of free market forces felt justified by events.

Then, suddenly - as a result of America's decision to enter World War II and in order to finance the sudden need for troops, weapons, capital equipment of all kinds, technological development, and war-related basic research - the federal deficit jumped to six times its previous largest size. In the first war year, the deficit was $24 billion, equaling the sum of all deficits for the previous decade. In retrospect, there can be no doubt that the new, previously unthinkable scale of government deficit spending, which continued throughout the war, played a central role in reigniting American economic growth.

But the lesson we can learn from these facts is still far from clear. One lesson the nation as a whole seemed to learn at the time was that the federal government really can, and ought to, play a major role in assuring growth. The invisible hand of supply and demand were to be complemented by the visible hands of corporate managements and the federal government. In particular, the Employment Act of 1946 made it "the continuing policy and responsibility of the Federal

Government...to provide maximum employment, productivity, and purchasing power" for the country as a whole.

But by the late 1970's and up until the present, the problem seems to have reversed itself. Now the scale of the federal government's intervention in the economy and the scale of the federal deficit and the federal debt appear to be major parts of the problem rather than of the solution. So, the government has a role to play in supporting economic growth, but that role is not simply to pump money into the economy via deficits when growth slows. There is an issue of timing and judgment about how to stimulate growth that has yet to be defined.

There are always some facile students ready to argue that war causes economic growth. They point out that even if the President Roosevelt had known more precisely in the early 1930's what scale of federal deficit spending was required to help pull the country from the Depression, he would not have been able to implement such a deficit for even one year, much less to sustain it over four years, because people's fears that he was not right would have generated too much opposition.

Capital formation is the objective "multiplier" that generates economic growth. But capital formation only occurs when there is a broad expectation of profits - a faith in the overall system that leads people to risk on its behalf or to believe that it will work for them. This common faith is the subjective or political factor that leads to investment and capital formation in the first place. When a people's faith in their overall political-economic system has been shaken, they withhold investment, as Americans did at the outset of the Depression. The output of capital goods shrank by 88% in real terms between 1929 and 1933.

The leadership challenge of generating capital formation and economic growth is, therefore, no 'mere' economic problem, but rather a spiritual/political/economic dilemma about how to reawaken faith in the political economic system. Moreover, this dilemma is what is known as a "wicked" problem because the very lack of faith poisons efforts to generate new faith. Roosevelt addressed this dilemma in his first Inaugural Address, when he declared, "We have nothing to fear but fear itself." But there was a portion of the electorate, comprising many of the wealthy, who feared 'that man' - as they called FDR - more than fear itself and steadfastly opposed his policies.

War, however, drastically alters the status quo. Suddenly, risks that have not seemed worth taking before become very much worth taking because otherwise there may well be no future at all. Fears that before loomed large suddenly appear minor compared to other fears. Suddenly, all the conflicts that made consensus and movement impossible before fade in the face of the enormous common dilemma and common mission a people feels. External threat and the prospect or fact of war unifies and en-courages a people to invest in capital goods as no form of internal dialogue about shared vision ever does, so this argument goes.

It is a tantalizing argument. December 7, 1941 - the day when the ships lying at anchor in Pearl Harbor were destroyed - was a day when war suddenly altered the

status quo. Many politicians throughout history - prominently including Adolph Hitler - have believed that war can revive a people's spirit and an economy, and have acted upon this belief.

But, as we have seen in the past generation in the case of the Vietnam War, war can divide a people as well as unify it, can lead to economic stagnation and inflation as well as growth. Moreover, had Roosevelt attempted to take the United States officially into the war before the Japanese attack on Pearl Harbor, as he very much wished to do, isolationist sentiment against the war could well have made it as divisive of the country as the Vietnam War later was.

No. The lesson to be learned from America's unprecedented growth during and after World War II is not that massive government intervention is the source of growth, nor that war is the source of growth. The real lesson is obviously much more complex, and the very brief summary I offer here itself oversimplifies. Moreover, what I take to be the real lesson will not satisfy many because it does not have the character of an answer than can be applied mechanically to the present or the future.

The real lesson to be learned is that economic growth is stimulated by timely executive action that focuses power on the attainment of a just common cause. The executive's own power to act in such a way as to reignite a nation's (or a corporation's) growth is, of course, limited. Roosevelt attempted, and was partially successful, in generating a sense of common vision from the outset of his presidency in 1932 when he proclaimed a "New Deal." But the fabric of this shared vision was not strong enough to support a $24 billion per year federal deficit, nor a declaration of war. Similarly, Roosevelt's quiet efforts in 1939 and 1940 to awaken the country to the international threat, to aid England against Nazi Germany, and to prepare our military for rapid expansion set the stage for our entry into World War II; but without generating the consensus necessary for a successful declaration of war.

An important part of Roosevelt's claim to executive acumen is that he was capable of waiting until the right opportunity presented itself to do what he believed was in the country's deepest interest. An equally important aspect of his executive acumen was that, insofar as they can ever be said to do so, events proved him right. World War II very quickly came to feel like a just war to the American people and has continued to feel that way in retrospect.

As in the case of our more recent stagnation and inflation, the source of our earlier unprecedented economic growth is a kind of action that is not narrowly economic at all. This point is emphasized by the fact that, after a decade of actions meant to improve the economy, the action that finally worked was one not even explicitly aimed at the economy.

That the source of economic growth lies in executive actions not described or prescribed by current economic language is still further emphasized by the two actions that arguably were the most important in sustaining America's generation-

long growth during the 1950's and 1960's. One of these was the Marshall Plan, whereby billions of dollars of direct aid to Western European countries played a catalytic role in rebuilding their economies to the point of becoming significant markets for American goods (and still later significant competitors for American producers). The second major action sustaining America's generation-long growth was the continuing federal support for scientific research. This federal support for science was unfortunately biased by the fact that Congress could not agree on founding the National Science Foundation until 1951. Consequently, the Defense Department became and remained the primary source of federal research funding and therefore of federal research policy.

What Capital Is

I believe that these brief historical reflections on the sources of America's growth during the generation preceding Kennedy's assassination demand nothing less than a reconceptualization of what capital is.

I have already noted that although capitalist, market economics offers us the procedural understanding that the creation of capital goods is the "multiplier" which generates economic growth, the substantive question of how a person or a people develops the faith, the will, and the perspicacity to know when to invest in what remains open. This way of formulating one limit of classical economic theory makes it sound as though capital is purely objective, while the faith required to contract the enormous deficits at the outset of World War II, to offer the Marshall Plan aid, or to fund science is purely subjective and thus, perhaps, beyond the limits of any possible rational explanation. But the concept of capital itself is not nearly so "clean" and objective as modern economic usage makes it. In fact, the word itself - capital - descends from the Latin capire, to know and caput, head. In other words, capital descends from words referring to a subjective, living intelligence that makes things and people grow. But today the work capital applies more commonly to a particular, objective sort of good, such as a factory and the machines in it, that is used for making other goods. As is so often the case, the term has transmogrified through history into a meaning nearly opposite the original meaning.

The problem with this change in the meaning of "capital" in modern economics is that it does not, in fact, adequately represent what we today mean by capital. Nor does it cover timely gifts like the Marshall Plan and the support for scientific research after World War II. These, I would argue, deserve to be considered capital investment and indeed a very special type of capital investment. Robert Heilbroner (*The Making of Economic Society,* 1980) defines and illustrates capital as follows:

> Capital consists of anything that can enhance man's power to perform economically useful work... A hoe is capital to a peasant; a road system is

> capital to the inhabitants of a modern industrial society. Knowledge is capital, too—indeed, perhaps the most precious part of society's stock of capital (p. 87).

The interesting aspect of Heilbroner's illustrations is that only the hoe fits the normal economic conception of a capital good, namely a distinguishable piece of property that can be privately owned and transferred to a buyer in a market transaction for a price determined by the supply of, and demand for, such things.

Road systems are, of course, things, but they provide the infrastructure for free trade. If roads are privately owned as in Medieval Europe, the tolls charged for usage become restraints on trade. Or else, as with railroads in nineteenth century America, too many different such systems are built to be economically practical, for a given territory in fact requires but one such infrastructure. Roads and railroads are really forms of capital that are best publicly regulated, and the decisions made to invest in this form of capital cannot be rigorously calculated by market logic since they create the structure within which market logic works. The Marshall Plan represented this type of investment.

Knowledge is a still more abstruse form of capital: it is not a discrete object at all; and it does not transact like objects. Remarkably, if I sell you my knowledge, I still have it, as well as the money, after the sale. Indeed, even though you pay good money for it, you may not "get" it. Consequently, ownership of knowledge is rarely clear-cut, exclusive or easily exchangeable in the way that ownership of tangible goods normally is; indeed, knowledge is deeply incompatible with the very concept of property. Theoretical knowledge is in some ways analogous to a road system: its function is to interconnect pieces of information; and it is a form of capital that functions at its highest potential for economic growth when there is broad public access to it. Heilbroner speaks of knowledge as "perhaps the most precious" form of capital because the applied sciences permit us to create fundamentally new forms of capital goods (as well as new consumer goods). Thus, investment in applied theoretical knowledge multiplies capital goods in a way analogous to the way investment in capital goods multiplies consumer goods. Applied science is, in effect, capital to a higher power. Hence, the critical importance of the national support for basic scientific research in the United States during the 1950's and 1960's.

But this reconceptualization of capital needs to proceed beyond Heilbroner's illustrations. If Heilbroner is right that capital consists of "anything that can enhance man's power to perform economically useful work," then such diverse qualities as land, skills, strategic planning, and the real-time learning abilities that characterize successful entrepreneurs, managers, companies, and great leaders like Roosevelt, all deserve to be treated as capital. Each of these qualities enhances one's power to perform economically useful work. Thus, as Table 2 shows, we find four types of capital corresponding to four modes of existence, ranging along a continuum from relatively objective, concrete, static and visible factories and

machinery to relatively subjective, abstract, dynamic, and ineffable leadership. The most potent type of capital is wise leadership that generates spiritual transformation through timely gifts.

Table 2:

Modes of Existence, Types of Capital

Existence	Capital	Objectives	Control	Exchange	Knowledge
Having	Physical	Property	Unilateral power, ownership	Barter	Information
Doing	Labor	Craft	Mutually acceptable authority	Money	Skill
Knowing	Expertise	Science	Collegial negotiation	Credit	Theory Strategy
Becoming	Leadership	Timely artistry	Spiritual transformation	Gifting	Wisdom

According to this reconceptualization of capital, each increasingly dynamic form of capital stands in relation to capital goods as capital goods do to final products. In other words, skilled labor multiplies the efficacy of capital goods; scientific theorizing in R&D and strategic planning multiply the efficacy of skilled labor; and timely leadership reframing of the paradigms within which we think and act multiplies the efficacy of scientific theorizing and business strategizing.

This reconceptualizing of capital integrates politics and economics somewhat as shown in Table 3 (next page), and more importantly, somewhat as they really are integrated in the apparently peculiar events responsible for America's unprecedented growth during and after World War II become more comprehensible. The historical survey of the generations before and after Kennedy's assassination illustrates how rare is the executive artistry that weds these four types of capital in practice at the national level.

Classical, Free Market Economic Theory

Because market economic theory has such great credibility today, I wish to say a little more about its severe limits in guiding us toward excellence and the good life.

Classical free market economic theory examines society at the interface between production and consumption, at the point where goods are exchanged, as Table 3

shows. In so doing, classical economics offers no substantive theory to explain why consumers buy what they do, only a procedural theory that tells us each will maximize his or her utility. Likewise, classical economics offers no substantive theory to explain how successful producers organize to generate net additions to wealth, only a procedural theory that tells us that firms that cannot cover their costs at the market price do not survive.

Table 3:

Towards substantive theory in economics and politics

POLITICS	***ECONOMICS***	
Leadership	***Actual practice***	***Theory***
Creation of shared vision	Leadership Entepreneurship	SUPPLY
Responsible exercise of power	Management	
Artistic excellence in action	Production, Service	
		MARKET
Learning from market, environmental,and organizational feedback to achieve intended outcomes	Consumption	DEMAND

There would be nothing wrong with these omissions, if economists made the limits of their theories clear. After all, we no longer expect any single theory to explain everything. Unfortunately, however, economics long ago became an arrogant queen of the social sciences and decided not to acknowledge the limits of its theories. Instead, economists decided to release such less easily quantifiable realities as the creation of shared vision, the responsible exercise of power, the cultivation of artistry in action, and the process of learning from experience, to the taken-for-granted black box named "rationality" which everyone is presumed to exercise. But these are, in fact, both rare and highly variable qualities among people. They are also qualities that are precisely not given, but rather must be cultivated. And they are essential to organizing continual quality improvement in production, marketing, and management.

Now, it is true that certain strands of economic theory point in the general direction of the creative and productive power of the sort of leadership I am discussing. The Austrian school comes closest to my theme with its attention to the creative

role of the entrepreneur in a market economy. Joseph Schumpeter, in particular, highlighted the continual process of "creative destruction" that occurs in a vibrant entrepreneurial economy. Human capital theory is another gesture in this direction. So is the discussion of the so-called "X-factor" that accounts for team productivity greater than the sum of individual productivities. But as the very name "X-factor" makes clear, the language of economic theory cannot see into the creative black box that phrases like "creative destruction," "human capital," and the "X-factor" refer to, cannot tell us what it is that generates entrepreneurial and corporate identity, entrepreneurial and corporate commitment, or entrepreneurial and corporate productivity.

Indeed, because market economic theory is by nature deductive, based on taken-for-granted assumptions, its practice neither illustrates nor cultivates upstream leadership that questions assumptions and thereby widens vision. Of course, in any field the greatest practitioners do question the assumptions. So, the field of economics boasts an Amartya Sen, who questions the individualistic, utilitarian assumption about the nature of rationality in economic theory. It will be good for the field if he wins a Nobel Prize.

Just as market economic theory fails to cultivate widening vision, so also it fails to cultivate the humane exercise of power. Instead, it attempts to banish the phenomenon of power by assuming that no individual, firm, or political body is sufficiently powerful to influence wages or prices, thus leaving them to be determined by those invisible hands, the impersonal market forces of supply and demand. If the assumption of perfect competition is not met, as in the oligopolistic and monopolistic models, the economic effect of power is shown to be necessarily negative, except in cases of economies of scale. As I discussed in the first lecture, the assumption of perfect competition does not fit our current political economy, and the economic results have been negative. But is power necessarily negative? Is power necessarily used for self-aggrandizement at the expense of the larger commonwealth? Or is it, ironically, the very power of the economic paradigm of reality that blinds us to the possibility of positive exercises of power?

Power cannot be banished by sleight of mind. The problem is how to civilize power - how to make power intelligent, humane, productive, empowering, and liberating rather than narrowly selfish and rapacious - how to make power just rather than unjust - how to subordinate power to the creation and achievement of corporate visions. And, as we can see by the panic and violence in our sexual relations nowadays, we understand woefully little about mutual power. As traditional hierarchical roles between and within the sexes dissolve, utopian love has not immediately emerged. Instead, we experience confusion and pain, panic and unilateral assertions of power, usually by men over women, and by straights over gays.

Just as market economic theory obscures the issues of vision and power, so too does it overlook the issue of timing. From the point of view of economic theory, vision, power, and timely action—the very factors that, if constructively cultivated, can make us creative, productive, inquiring leaders are either treated as exogenous variables or as taken-for-granted aspects of human rationality. Therefore, the increasing predominance of economic thinking in our social life during the past generation, I argue, contributes to our decadence - to our sense of meaninglessness and disempowerment when it comes to upstream swimming toward the sources of excellence.

QUESTIONS AND ANSWERS

Sources of Excellence II: Sources of Economic Growth

I am reacting to the "existence" part of the handout (see Table 2): This seems to me very focused on <u>human</u> existence. This is people, having, doing, knowing and becoming. I just want to point that out. And the slide that talks about responsible management and shared vision; I wonder how <u>other</u> life, including the planet, might respond. I'm taking an environmental perspective here. I think we need to look at the whole planet—I mean the whole universe—ultimately to be developing a responsible vision. Even a vision that people can engage in that's sufficiently compelling to maintain these goals. So I wonder how that all fits in the model that you're presenting.

Well, I think that's a very good point. My experience is that "Becoming"—becoming aware of the interrelation of the four layers—has to do with becoming aware of myself as an earth-bound, physical animal, as a watery, emotional fish, and as a sky-seeking bird; rather than being captured by any one level of experiencing. I think people in modern society tend to get captured by single layers. Some people get captured in the having layer, as consumers—and their predominant image and experience of themselves is as consumers. Other people see themselves primarily as workers; their life revolves around getting in there and working hard and achieving goals. Other people see themselves as knowers, and they think they can understand the world in their head, so to speak. And I think that trying to meander into the spaces between the layers, and be aware of the discontinuities in myself between the layers, makes me much more aware of the environment as a whole—of the planet—and my participation in the different natures on this planet.

We were talking last time about being vulnerable. Being vulnerable to disconnection, being vulnerable to the suffering. One hears and sees what's ugly and what's suffering and doesn't want to distance oneself by using technology. For example, many people have become concerned with the technology and the ethics of ending one's own life. But there is a very simple, spiritually dignified and profound way to choose one's time for transforming beyond life in this body.

Scott Nearing, one of the earliest ecologists, chose this path as he neared his 100th birthday: fasting.

You answered my question as I was holding my hand up. I was going to ask you if you consider being aware of what's around you as being aware about the planet and other people. Or do you maybe see a fifth layer, coming on the bottom here, where you begin to see where you fit into the cosmos.

We could say that, but I think inevitably one asks that question as one looks at the discontinuities between the layers. Who am I anyway? What kind of a being am I? As soon as you begin looking at yourself across all four layers, you experience enormous amounts of discontinuity. All of your self-images are incredibly small and incomplete compared to who you are day to day as you walk around. You're not just an intellectual. You're not just a competent being. You're a person who forgets his glasses here, and who spends part of every day not sure why they're here, and not sure whether they want to go on. And other parts of the day being an incredibly goal oriented person, and other parts of the day just whining to one's self because of one small thing that happened. All of these different selves we are during the day aren't captured by any images we have, by our resume and so forth. So beginning to become aware of all four layers going on at the same time makes you very, very humble, first of all, and increases your awareness of what's going on out there.

Of course to be timely means not just to be timely in terms of my own life, but be timely in terms of the life of the organization, in terms of the life of the larger community. And as we have become much more aware in the last 20 years, there's something about the time of this planet and about the relation of our civilization to the earth that is coming into crisis. Being very low awareness beings, it takes a crisis to get our attention.

I think one of the troubles with intellectual life in the 20th century, and it's being very nicely brought out right now by this new book by Paul Kennedy from Yale, where he looks forward to the 21st century. He presents a kind of doomsday prediction that the environment is going to crash and all sorts of things are going to go wrong. This is a typical intellectually aware look at the future. You extrapolate all of the things that you can count and hold in your head now, and boy does it look bad in the future. They all converge and there's a kind of crash. And that's because that kind of thinking doesn't take into account the real energy that's going between the layers and the real effort to be aware of the situation as you go. And as the crisis increases, it really becomes unpredictable what we're going to do. The crisis may have to go a very long way before human ingenuity is wrenched around to begin to really address it, just as the crisis went to the point of Pearl Harbor being bombed before World War II—a very deep intrusion into America, and then the response began. So I think that neither optimism or pessimism is warranted.

Three of your four layers of human capital seem to be structured around a hierarchical model. Could you comment on the fact that business today seems to be going more towards a 'democratic' model, for lack of a better word, in terms of highly involving self-directed teams, empowerments, and all the buzz words today. This hierarchy seems to be going very contrary to that.

Well, that's a good question. We had a comment during the first lecture, somewhat the same question: I had talked about a role in the first lecture for middle management and somebody said "You seem to be trying to get rid of middle management and to flatten the organization." And I said at that time that while I think we have tremendous middle management bloat, that could be gotten rid of, I do not believe in the totally non-hierarchical system because I don't see—it seems to me that it takes years to develop relationships among these different layers. It probably isn't until after middle life that one can get so to speak 'behind one's own knowing' and recognize how limited one's own knowing is. And that's what senior management is supposed to be able to do. It's supposed to be able to see beyond it's own 'Knowledge' (see Table 3)—that's what 'Wisdom' is—being able to see all that you don't know, as well as what you do know—so that you finally can make judgments, and take actions that truly have the intended effects (with no more than manageable 'side' effects).

As long as you're just operating on what you know, and so long as you think that you know pretty much everything, you can't possibly make a wise judgment, because in fact what you don't know must be much greater than what you know. So I think middle management is typically caught in this struggle between believing that one has begun to master the environment, one knows the industry, one knows how to act on the one hand, and on the other hand having more and more experiences of mystery—that can show that isn't all there is to it.

Of course, one can prejudge most of the mystery away, and thereby never learn from experience in a transforming way, by becoming cynical. For, to be cynical is to treat outcomes as negative and someone else as at fault.

All the people who came up in Wall Street in the 1980's and thought that the market would get better and better—you know it takes about ten years to have the experience that tells you "no-the world isn't just the market getting better and better all the time". So I think there always will be a middle management, and I think that I'm trying to pare it down to the minimal number of levels that I think truly exist, that are really metaphysical levels, that really actually exist. So I think that one's going to have a three-level human enterprise, with tops, middles and bottoms in any society, in any utopian society.

Would you say that F.D.R. was a middle manager?

No, why?

It just seemed to me from your introduction and historical prelude there that you were arguing that he would have been at the high end but at the same time you suggested that he was interested in jumping into World War II much sooner than would have actually been a good idea given the fact that the nation as a whole hadn't embraced it as being a just cause. So it sounded like having the isolationist Congress holding him back was probably a good thing for him, in that he would have otherwise been a pawn in his own creative destruction.

Well, I don't interpret my own lecture in quite the way that you just did, although I think it's a very creative interpretation. I think that F.D.R. did see the danger that Hitler's Germany posed before a lot of other people did, and why the United States couldn't afford to avoid the conflict altogether. He also obviously saw (and was a political enough animal that he understood) that his view was not shared by other people, that he hadn't yet figured out a way to share it with them sufficiently. So I think he actually did see. He worried about the fact that he did not know how to convey this in a way that would transform people's views. And then suddenly, along came the Japanese and did it for him.

So, while he didn't know how to do it by himself, he sure knew it once it happened—he sure recognized the opportunity when it occurred—he sure had the 'Wisdom' not to burn himself out when he couldn't do it and then again to recognize and to act when he could do it. So I think he was operating in the senior executive/leader capacity there.

I'd like to propose adding a layer. This is a masculine model. These are things that men do—they have, they do, they know. What's missing is Being. Just Being. I think the 'Capital' of this additional 'Being' level is 'Awareness' and 'the 'Exchange' is Relational,' and the 'Objectives' are 'Relationship.' And I think the 'Knowledge' is of what's present , the 'Knowledge' is 'Attention.' That would help me with the environmental question. From the way you were speaking that sounded like an overlay—like the way you move through this or integrate these four levels is through being in relation and awareness and attention. But I think that in and of itself might be a place to be sometimes, the way 'Doing' is a place to be sometimes.

I accept. All of your layer could also be overlaid directly on this one that I am now calling 'Becoming,' but that for 10 years carried the word Being there instead of Becoming. So I've gone back and forth on how to name these ideas, which are, of course, at best only suggested by these words in relation to your activity of attending.

One of the things that I remember slightly from my lifetime and also in reading is not only Roosevelt as a leader, but what always amazed me is how self-confident or daring he was able to be in the face of whatever else was going on, what other people did. And courageous action that he would have taken at

times. Maybe not involving the war but in some of the social programs. Or in trying to pack the Supreme Court, or all the kinds of things he was willing to do. And I wonder, is that part of your definition of leadership, or is that something that has to do with the personal make up or character?

I think that's very interesting. To me what it evokes is that there was a period in the early 20th century—the first half of the 20th century—which produced the most astonishing array of world historical characters we've ever known: Churchill, DeGaulle, Adenauer in Germany—really tremendous, as one French writer called them, 'Oaks'—the great 'Oaks' that grew up. Or Golda Meier, born in Russia, reared in the U.S., leader of Israel. But not only in political matters. In art too: Picasso, James Joyce, Virginia Woolf—all these incredible 'fictional' characters you might say—who went beyond what could be imagined. Interesting spiritual leaders throughout that whole period, as well; I mentioned Gandhi last time.

I've wondered to myself, "What has happened. Why don't we have that kind of leadership in quite that quality anymore?" I think in a funny way it relates to the earlier question. It's because there's quite properly a feminization of leadership—a sense that something more 'Relational' is needed. We don't need these great figures—and DeGaulle was the ultimate I suppose—this huge, erect man, absolutely unbending, the most masculine archetype we could imagine. That's not what we need today. We need a capacity to be between the layers, to relate, to attend in a way that brings other voices into the conversation. So we're trying to discover how you generate that kind of relational leadership and how that can be courageous leadership too. And we don't quite have the feel of it yet all together.

Actually, as I think of it now, F.D.R. was an unusual blending of a relational and a courageous leader....

Let me offer an alternative hypothesis, which is that the media, particularly television, has enabled us to dissect our leaders, and their statements and their foibles and their failings in ways far different than we were able to 60 years ago. And therefore it undercuts the role of hero or heroine.

That's a very good point. I think that's really true too. One of the very sad things is that I think the press has now gone from being a great guardian of freedom to being in some ways a very direct antagonist to further development of the society. Because the press has the ability to see all the incongruities between the levels here, but it has no theory about how to help the society or individuals or groups or organizations increase their congruity. So instead what it does is disillusion everybody. Because of course there are huge gaps between each of those layers in each of us and in each organization. And when they are revealed they can be the beginning of a cure—they are wounds that can be cured. But they can only be cured with the right kind of attention, with the right kinds of relationships, and the press doesn't do that. All they do is expose, expose, expose.

That seems inconsistent with your proposition, that we need to be simultaneously aware of all four layers. That is what the press, the media is doing. I would agree with you that it isn't yet the source of solutions, but it is a source for helping people who are not aware of all the layers, that those layers are there. Identifying the discontinuities is in fact, is it not, the first step?

Well, it is a step, and if the media only had a sense of themselves as being active intervenors in social situations—which they very dramatically are, you see—if they recognized themselves for what they really are. But, the media still views themselves as disembodied observers.

They just may be doing a bad job of doing the right thing.

Well, I don't think they even have a model. I think it would be very exciting...

I'm not trying to suggest that they are aware that this is the function they perform. You see, I'm taking an increasingly strident position against the media and against universities, even though I live in one. Because both of them still maintain a version of knowledge-getting—based on objectivity and based on disembodying the observer from the actor. And I think that is now so dangerous—it's so dangerously untrue—that I want to say very loudly that I oppose that model of how knowledge is generated. Now, I agree with you that there is a very positive function to revealing discontinuities. But so long as the media don't take any responsibility for the fact that they have real effects on people and organizations, and don't try to use their cameras to actually improve a situation, all it leads organizations to do is to try to keep the media out.

The media do have these ombudsmen, as the *Boston Globe* has—a person who writes about the effect of writing a certain article or publishing a certain photo or cartoon about people. That's a beginning step toward saying, "We actually have effects on the community through our reporting." But there could be a much, much stronger effort that could make a major positive difference. So I'm taking my strong stand to try to highlight the fact that the media and normal academic research don't acknowledge and go through a process that actually helps people to increase their awareness.

If they serve the role as an external agent—just like someone can act as an external agent that helps me be aware of something that I'm not aware of—if they're an external agent, they are still serving a good, independent of the fact that they're not performing it aware of what they are doing.

I'm not arguing that we shouldn't have any media. That seems sort of ridiculous. So I think we're both right—maybe. Let's go on and see...

[Another participant] ***I'd like to throw out a tangible example of how the media throws light on something, and where they didn't solve that, but I'd agree with the gentleman here that maybe that isn't the press's role. The example I'd***

like to draw from is NBC dateline, not on G.M. but the one on WallMart, where they showed a contractor of Wall Mart's employing children in a factory in Bangladesh. Now the press provided no solutions. They were, as you were saying, they were showing the discontinuities between the company which has a good record of social responsibility but clearly was buying goods from a factory that exploited children.

Now, behind the scenes after this occurred our firm—which has been mentioned earlier in the series: Franklin Research and Development—we own stock in Wall Mart. We're a socially responsible investment firm, and we contacted Wall Mart, and said, "Our clients, who wish to invest in socially responsible companies, who have holdings in Wall Mart, are concerned about this issue." So we took the constructive role I guess, to bring these discontinuities and bring things back into continuity. Now what we've done is that we've persuaded Wall Mart—I believe this is going to pan out—to adopt a set of basic human rights standards which all their contractors will be required to sign onto. It includes "no child labor" and things like that. But from this example, clearly the press are showing discontinuities. They obviously are not providing a solution to that in this case. But maybe its the role of other people to do that, and you really shouldn't—I think you're being too hard on the press for doing something that's totally outside their capacity to do. It's not up to the press to do that, it's up to other actors to do that. People, maybe like ourselves.

Well, that may be, and you're perfectly welcome to come to that conclusion. I just hope that talking about it tonight makes you look at the press differently from now on, and think about this issue, because I just think it's a terribly important issue to think about, which is the question of how knowledge is developed, and then played back. And the degree to which the knowledge developer is an active participant in situations and might do better if they recognized their relationality to a situation rather than treating themselves as objective. But certainly there's a role for other people, and it is also often true that when the press shows something it does lead to constructive change.

I would offer the G.M. case as support for your argument, actually. The expose of the pick-up truck, where the gas tank blew up when the truck rolled over, was actually simulated. The attempt to provide knowledge to the market place in an attempt to influence the outcome. That appears to me to be a clear case of trying to do good, i.e. inform us, so that we would act, or someone would act, except the method used, was instead of informing, to become a participant. They in fact became a participant in attempting to generate a solution. And constructed something that didn't exist in reality.

Well, and they covered it up and acted as though they weren't. They continued to present themselves as though they were providing objective knowledge, when they in fact had generated the knowledge. So, well, these are complicated issues to pull out. Let's go on to another question.

Earlier you mentioned universities and the sciences as having a stance similar to the media. My guess would be that it has something to do with the same stance of objectivity, of pretense overall, but I'd like to hear a sense of why you include the sciences in what you are objecting to.

Well, because I think that social science as a whole—not to mention the humanities—is about self-knowledge, or should be about self-knowledge fundamentally. And all the social sciences are increasingly presented as though they are objective knowledge about something else, and they are all supposedly generalizable knowledge—that is knowledge usable in any time and place—as an objective outsider. But this is not how we use knowledge. We use knowledge for our own ends, as insiders in situations. We want knowledge—we want social science knowledge—in order to apply it in the situations where we act. So actually, disembodied generalized knowledge is never applicable to us, as individuals who want to act. The whole model seems to me misleading. It leads you to imagine that you have true knowledge that is not based on your limited perspective, and it gives you knowledge that is not applicable to you as a person who is actually engaged in the situations. It doesn't teach you to be aware of the actual exchange that is occurring at a given time and place. So for all those reasons it seems to me that social science is engaged in creating an illusion, rather than a liberating kind of knowledge.

But then, that's all at a kind of micro level—how it affects a particular person. At a macro level the university becomes now the church of modern society. It becomes a religion, it becomes a belief that there is such a thing as objective knowledge apart from the subject. And I don't think that that's been shown; in fact the physical sciences have moved to a different paradigm, which is about the relationship between the subject and the object. The social sciences are aping—once again—a natural science that doesn't work. I think we need a paradigm of the social scientist and the social actor as the same person. And of how you get increasingly objective and valid knowledge in the midst of an engagement, not apart from an engagement.

Right now, university tenure decisions are based increasingly on specialized disciplinary knowledge, which, in turn, is largely irrelevant and even destructive of what we need to learn to be good managers. Ironically, the last part of the university to buy into specialized disciplinary knowledge is the school of management. So we'll probably be the last one's who are proudly asserting our academic viability with a model of knowledge that doesn't work in action. [laughter] We'll see how it goes. The jury's still out.

Thank you very much. The next lecture is from the period of 1851 to 1933, from the founding of our first school of management - the Wharton School - in 1881. The lecture will be about the development of management and how we ended up making a mistake about how to educate managers. Thank you again for coming tonight.

[Applause]

THIRD LECTURE

SOURCES OF PROFESSIONAL MANAGEMENT: The U.S. 1881 – 1933

WILLIAM R. TORBERT

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The first two lectures have suggested that there is a rare quality of leadership excellence that integrates upstream inquiry about the sources of positive vision with downstream action effectiveness. I have argued that the absence of such leadership in the United States over the past 30 years has resulted in a period of decadence; and I have argued that the presence of such leadership in the United States during the prior 30 years - especially in President Roosevelt's process of guiding the country into World War II - resulted in a period of unparalleled moral, political, and economic growth.

Tonight, I would like to discuss the parallels between the development of the United States economy and polity at the end of the 19th century and the development of a global economy and polity today, at the end of the 20th century. Then, I wish to illustrate the peculiar contrast between the actual business history of repeated creative and opportunistic reframings of the means of growth, on the one hand, and the development of types of knowledge about economic development that emphasize narrow control within an unchanging framework of assumptions, on the other hand. Let me repeat that sentence in different words: I will illustrate that real world growth of enterprises, such as Sears Roebuck, and of entrepreneurial/leadership careers, such as Andrew Carnegie's, show a repeated upstream inquiry and re-visioning, a repeated transformation of assumptions, a repeated reframing and renaming of the game being played. By contrast, the dominant mode of economic theory, the dominant type of scientific method, and the dominant kind of management education in recent years are all based on an unchanging frame, an unchanging set of assumptions from which correct decisions

and actions are supposedly deduced.

I will conclude that unless we radically reframe economic theory, as well as the social sciences more generally, and management education, our educational system will not prepare us for the global challenge of the 21st century. As Table 4 shows, a truly liberating and empowering social science and management education treat all four kinds or 'territories' of experience as variables to be studied, adjusted, harmonized.

Table 4:

The Executive Awareness and Art that Professional Education Properly Cultivates

Through testing, validating, and reframing, entepreneurial executive leaders properly generate increasing harmony, integrity, and synergy among four territories of experience that can be expressed as:

Four Qualities of action	**Four time horizons**	**Four spatial horizons**	**Four aspects of science**
outcome	quarter	department	data
operation	year	productive unit	research method
strategy	3-5 years	total organization in market	theory
mission	7 years to lifetime	global/social development	paradigmatic assumptions

The Analogy Between the U.S. at the End of the 19th Century and the Global Economy Today

There are many parallels to be drawn between the flamboyant, frontier capitalism of the American 1870's through the 1890's and the unregulated, multinational capitalism on the global scale in the 1970's through the 1990's.

In the 1880's, the United States had a national currency, but no national bank. In the 1980's, the world had no international currency, but two major international financial institutions, the World Bank and the International Monetary Fund, continued to define themselves. The United States developed a reliable regulator of its currency only with the creation of the Federal Reserve System in 1913. Let us hope that by the year 2013, the global community can agree on the necessity for a common currency and a more influential International Monetary Authority, reframing the concept of sovereignty, as envisioned forty years ago by international economist Robert Triffin.

In the 1890's, law and order was a distant aspiration rather than a present reality for much of the continental United States. In the 1990's, after decade-long conferences struggled to define a law of the seas and a law for outer space, an unprecedented number of individual countries struggle with the dilemma of how to define their own boundaries, how to regulate their internal affairs, and how even to count the flows of money and information across their borders.

In the United States over the past century and today in the global market, the mix of multiple cultures, the huge and differentiated market, and the growth of complex quasi-public corporations that span normal jurisdictional boundaries generate a need for visionary leadership in all quarters of the economy and polity, for executive acumen in the exercise of transforming power, and for artistry in action.

Yet, over the past century, the United States has gradually evolved from the highly entrepreneurial society of the late 1800s to a country predominantly characterized by doctors, lawyers, accountants, scientists, professors, civil servants, and managers - by professional employees with executive powers - rather than by entrepreneurial citizen leaders. How so? And how must we change our understanding of social scientific knowledge and of professional education for action, if we are to encourage a fuller multi-cultural global economic and political creativity, rather than the savage, ethnocentric efforts at unilateral control that today rage in some localities and threaten in others?

Three Types of Control

In order to answer this question, let us examine in brief outline the actual development of management, management education, and social science over the past century.

Founded in 1881, the Wharton School at the University of Pennsylvania became the country's first school for the education of professional managers. The field of accounting did not yet include calculations of depreciation on capital equipment in the area of capital accounting, and professors of finance could not yet teach their students how to calculate "Return on Investment" since the basic formula was not to be invented by the Du Pont Company until 1904. Indeed, in 1881 neither the American Economic Association nor the American Association of Public Accountants yet existed.

But the need for persons with knowledge about how to coordinate the diverse aspects of a large enterprise had become increasingly evident ever since over $700 million had been invested in over 30 large railroads between 1850 and 1860. Resolving conflicts by mounting locomotives and driving them full tilt into each other, as James Fisk and J.P. Morgan did in their struggle for financial control of the Albany and Susquehanna Railroad struck some observers as a less than ideally efficient way of managing capital resources.

The founding of the Wharton School was part of a much larger current of attempts at using knowledge to gain control over nature and human nature, as the

accompanying table of professional organizations founded in the late nineteenth century shows (See Table 5).

Table 5:

Founding Dates of Professional Schools, Professional Societies and Research-Based Universities

1852	American Society of Civil Engineering
1860	Sheffield Engineering School, Yale
1862	Massachusetts Institute of Technology
1871	American Institute of Mining and Metallurgical Engineering
1873	American Society of Railroad Superintendents
1876	John Hopkins University, Edison Laboratory (later G.E.)
1880	American Society of Mechanical Engineering
1881	Wharton School, University of Pennsylvania
1885	American Economic Association
1886	Arthur D. Little Company
1888	Clark University
1890	University of Chicago
1897	American Association of Public Accountants
1902	Bureau of Standards, U.S. Government
1902	Carnegie Institute of Technology

Reflection on events over the half century following the founding of the Wharton School will show that there are in fact three kinds of knowledge and three kinds of control that one may seek in attempting to guide one's own or an organization's destiny. Management education and market economic theory have focused on only one of these three types of knowledge and control over the past century.

One type of knowledge and control involves descriptive information about the state of the external environment and the internal system, so that one can alter the system's internal operations - increase quality and productivity relative to costs - in order to improve its performance in the environment. This is the kind of information and control that economic theory and management education have focused on over the past century. One gathers information, analyses it, makes a decision, and attempts to implement it by altering the internal operation of the organization.

A second type of knowledge and control involves internalizing some portion of the external environment so that it becomes a resource rather than a threat. In this case, some Type One descriptive information is necessary at the outset, and some Type One control over internal operations will be exercised at the conclusion of the internalizing process; but the internalizing process itself proceeds as an act of Type Two political control first, followed by an expansion of Type Two skill knowledge second. We can look at the history of American business over the past century to see what this means in concrete terms.

The history of American business over the past century is not only a story of exercises of Type One knowledge and control, but a story of multiple forms of Type Two control and knowledge. In the 1870s, railroads each attempted to corner the nationwide transport business through sheer geographical expansion. In the 1880s and 90s, the large oil and steel companies attempted to internalize the competition by horizontal integration - i.e. by forming industry wide trusts. In the early 1900's, a third strategy for internalizing the environment emerged, the strategy of vertical integration. Sears and Roebuck is a striking example of gradual vertical integration, starting as a mail-order warehouse, then moving both 'forward' toward the consumer through retail stores and 'backward' toward the raw materials by starting or buying its own factories.

In the late 1940's and 1950's, related diversification became a predominant new way to internalize the environment. Companies learned to protect their markets by redefining themselves in more generic terms. Airlines, for example, recognized themselves as in the transportation business, in competition not just with one another but with trucks, buses, railroads, etc., and needing to provide all forms of transportation support to make their services desirable (railroads, by contrast, failed to redefine themselves in this way). In the 1960's and 1970's unrelated diversification, whether in the form of conglomerating essentially unrelated products and services or in the form of multinationals operating in essentially unrelated environments, became the newest recognizable direction for internalizing the environment. And, finally (for the present), in the 1980's the example of 'Japan, Inc.' and the 'Gang of Four' (South Korea, Taiwan, Hong Kong, and Singapore) suggests the possibility of treating entire countries, not single firms, as the units of competition.

Notice that Type Two control and knowledge are viewed as vaguely or directly illegitimate, from the point of view of market economic theory. For entrepreneurs and firms that exercise Type Two control and knowledge are, in effect, seeking to escape control by the market - are seeking, indeed, to control the market.

There is yet another type of knowledge and control. This third type of knowledge and control involves reframing the relationship between oneself and the environment. In this case, neither the organization nor the environment unilaterally controls the other. Type Three knowledge and control generates mutuality and mutual transformation between the entrepreneur or organization and the environment. The very words 'knowledge' and 'control'

are no longer quite appropriate at this level. Type Three knowledge is really a kind of active, living awareness - the kind of leadership and capital that I have spoken about in the first two lectures. And Type Three control is really a kind of free play that seeks to evoke free play in response.

Let us examine Type Two and Type Three knowledge and control through the examples of one company over time - Sears, Roebuck & Co - and one entrepreneurial leader over time - Andrew Carnegie.

Sears, Roebuck & Co.

Sears Roebuck has significantly reframed itself and its 'game' no fewer than four times in the past century.

Richard Sears initially mail advertised distress-merchandise, one batch at a time.

Julius Rosenwald bought the business in 1895 and played a major role over the next twenty years not only in reframing Sears, but also in inventing modern production and distribution management. Five years before the Ford assembly line, the Sears Chicago mail-order plant in 1908 became the first mass production process with plant-wide scheduling. Even before this, Rosenwald revolutionized marketing from the age-old "caveat emptor" - "let the buyer beware" - to Sears' guarantee of "your money back and no questions asked." He transformed Richard Sears' exaggerated claims and irregular offerings (typical in the late nineteenth century) into a permanent customer base of low income farmers, far from city stores. The reliable description of a full range of low-priced needed goods in the regularly published Sears catalogue made it the "wish book" for generations of American farm families until just this year.

In this transformation from the unreliable mail order of distress merchandise to a reliable fulfiller of customers' dreams, we see a Type Three playful process of reframing both the producer and the consumer.

The second transformation of Sears occurred in the late 1920's and 1930's, when, under the leadership of General Robert E. Wood, the company responded to the "automobilization" of America by building large retail stores at the outskirts of cities, forerunners of the suburban shopping mall. This transformation involved many major changes. The company integrated forwards from centralized mail-order plant to decentralized stores in a thousand different locations. At the same time, it integrated backwards from centralized mail-order plant to develop a vast network of reliable suppliers. In these respects, Sears was engaged in Type Two changes of knowledge and control. This was most especially tangible in regard to Type Two managerial skills for store managers. For years the greatest bottleneck in Sears' operation was the shortage of managerial talent—particularly store managers—for this vast decentralized network. The company responded by virtually inventing the field of management development, including systematic methods for measuring and rewarding managers' performance. The company was investing in a process of developing Type Two skill knowledge.

During this transformation, Sears was also redefining its market from low-income farmers to farmers and city dwellers who aspired to a middle-class standard of living. Within the company itself, this reframing included the development of merchandise research, planning, and design that transformed high-priced products, like refrigerators in the 1920's, into less expensive facsimiles. Here we see an example of Type Three reframing of how to meet and play with the customer. The Sears stores as adult play pens - as adult versions of Toys R Us.

In the late 1950's after General Wood retired, Sears gradually transformed itself a third time, this time less visibly, less dramatically, and perhaps less successfully in the long term. It diagnosed the mass of its market as shifting again, from working class incomes with middle class tastes to middle class incomes with upper class tastes. Kitchen appliances and power tools remained, but by the late 1970's Sears was also deeply committed to toiletries, was the world's largest diamond merchant, was one of the world's largest booksellers, and was a major trader of original art objects as well. Another profound change was that since Wood's retirement, no highly visible, visionary, dominant, or long-term chief executive emerged over the next twenty years.

A fourth and still more stuttering, incomplete, and unsuccessful reframing of the business has occurred during the 1980s. This time the transformation appears more reactive and disjointed than proactive and coordinated, fueled by Type One knowledge and control, rather than Types Two or Three. When profits dropped for three consecutive years at the end of the 1970's, Edward Brennan became president and predicted future success for the company because Sears would "reinject...some price points we had discontinued earlier" (i.e., move back to the middle-class market) and because "the consumer is going to begin to buy again." In effect, he was pledging a return to a former strategy rather than the creation of a new one, and he was banking on a general economic upturn just prior to the major depression - 1980-82 - in the past half century. Notice Brennan's use of Type One analysis and jargon ("price points" "consumer").

At the same time, however, Sears mounted a major strategic initiative: to enter the field of services, from dentistry to drapery cleaning to financing. In financial services alone, Sears quickly became a nationwide one-stop supermarket, with Coldwell Banker real estate brokers sitting next to Allstate insurers sitting next to Dean Witter stockbrokers. Sears' financial services met the public in close to 6,000 different offices or stores across the country.

This service-oriented initiative represented an attempt to respond to two quite different, but possibly convergent, market trends. The first trend came from the recent inflationary squeeze and the change in women's aspirations, resulting in more two-income households with more money and less time to "do it oneself" or to shop amongst many small service providers. The second trend looked more like a developmental change in consumer preferences from acquisition to activity, possibly related to increasing educational levels and a general shift from manual

work to mental work. As one Sears spokesman put it, "Instead of wanting to have what the Joneses have, people want to do what the Joneses do." This formulation is clearly an attempt at Type Three awareness of how to play with the contemporary customer.

A decade later in the early 1990s, Sears does not appear to be succeeding in discovering the main market trend line for this generation and in adapting its vast enterprise to meet this new demand. The company continues to tread water clumsily, trying and failing to sell the Sears Tower in Chicago, and now closing stores. Indeed, on September 30, 1992, the lead article in the *Wall Street Journal* began:

> As if pressing the reverse button on a time machine, Sears, Roebuck & Co. abandoned its grand plan to meet both the shopping and financial-services needs of the middle class, deciding to focus again on the retailing business that once made Sears such an integral part of America.
>
> In a sharp reversal of strategy, company directors approved a program to spin off Sear's Dean Witter Financial Services Group, most of its Coldwell Banker real estate holdings and 20% of its Allstate insurance unit. The moves, decided at a special meeting, will reduce Sears' heavy debt by $3 billion and essentially take the company back to where it was in 1981 - except without the dominant position in retailing it had then.
>
> "We are sharpening our focus on our core businesses," said Edward A. Brennan, Sears' chairman and chief executive.

It appears that Sears has lost the elusive capacity for Type Two and Type Three change. Certainly, there is no evidence I can find in anything that Ed Brennan has said or done in his 15 years at the helm that he appreciates Type Two or Type Three change.

By way of contrast, and by way of further illustrating the most elusive of the three kinds of knowledge and control—Type Three awareness and mutual play—let us return to the end of the 19th century to review the career of a business leader who repeatedly, throughout his life, exercised Type Three learning and playfulness.

Andrew Carnegie

Andrew Carnegie was born in Scotland in 1835, received only five years of schooling, and emigrated with his family to the U.S. outside Pittsburgh at the age of 13. There he began working immediately in a mill for $1.20 per week.

By the age of 15, he had reframed himself from a blue collar worker into a white collar worker - a telegraph operator. By 18 he moved into management as the confidential assistant for Thomas Scott, the superintendent of the western division

of the Pennsylvania railroad. At 21, Carnegie began his entrepreneurial career, developing the notion of sleeping cars and becoming a 1/3 shareholder in the first two. I am moving quickly in describing the repeated Type Three frame changes in Carnegie's career, but I hope that your are following the four reframings - or changes in the name of the game that he was playing - that Carnegie had already accomplished by the age of 21 - from the blue collar game to the white collar game to the suit game to the entrepreneurial game.

At 24 he became a senior manager, replacing Scott when the latter was promoted to vice-president. At 28 (in 1863, the middle of the Civil War), he started his first company, the Keystone Bridge Co., in iron manufacturing. During the late 1860s, Carnegie not only managed his new company internally, but traveled to Europe repeatedly to sell bonds to support his bridge-making, thereby internalizing a part of the environment. In 1870, he decided to concentrate in the new steel industry and had the first blast furnace built.

For the next 30 years, Carnegie was America's preeminent industrialist, amassing a fortune of hundreds of millions of dollars. But he did not stop reframing his sense of who he was and of what his mission was. He became a social philosopher as well as a businessman, writing books called *Triumphant Democracy* and *Gospel of Wealth.* I must say that I tittered a bit unbelievingly when I first saw those titles. I made the assumption that the *Gospel of Wealth* must be some trumped-up justification for possessing the indiscreet piles of gold that he and the Vanderbilts and the Harrimans and Uncle Scrooge all amassed. But that is not the punchline of the book. The book's punchline is that the obligation of the wealthy is to give the money away wisely—the same bottom line that I showed you in my last lecture. (See Table 2)

Nor was this enough. He next made the radical decision (!) to *practice what he had preached* in *Gospel of Wealth* - to align his practice with his sense of mission. As he describes in his later autobiography, "I resolved to stop accumulating and begin the infinitely more serious and difficult task of wise distribution." He sold his company for $250,000,000 to U.S.Steel and 'retired.' Over the next ten years, he distributed some $300,000,000. He endowed workers' pension funds and public libraries throughout New York and Pittsburgh. He also created a number of research foundations, such as the Carnegie Corporation of New York, and schools, such as the Carnegie Institute of Technology in Pittsburgh in 1902.

Thus, through his wise gifting, Carnegie came to play a central role in twentieth century research, scholarship, and management education, as well as a central role in late nineteenth century business. Ironically, however, this very research and education - built predominantly on a natural science paradigm of knowledge rather than a social action paradigm of knowledge and then based predominantly in economic theory rather than balanced with political and ethical theory and practice - has led in the late twentieth century to a form of management education that undervalues and undercultivates the entrepreneurial, reframing, and ethical

qualities that Carnegie himself illustrated. Indeed, one of the most serious perpetrators of today's conventional wisdom that human beings possess only a bounded rationality, rather than the capacity for repeated reframing, is Nobel Prize winner Herbert Simon whose later career was spent at the Carnegie Institute.

Changing the Boundaries and the Name of the Game

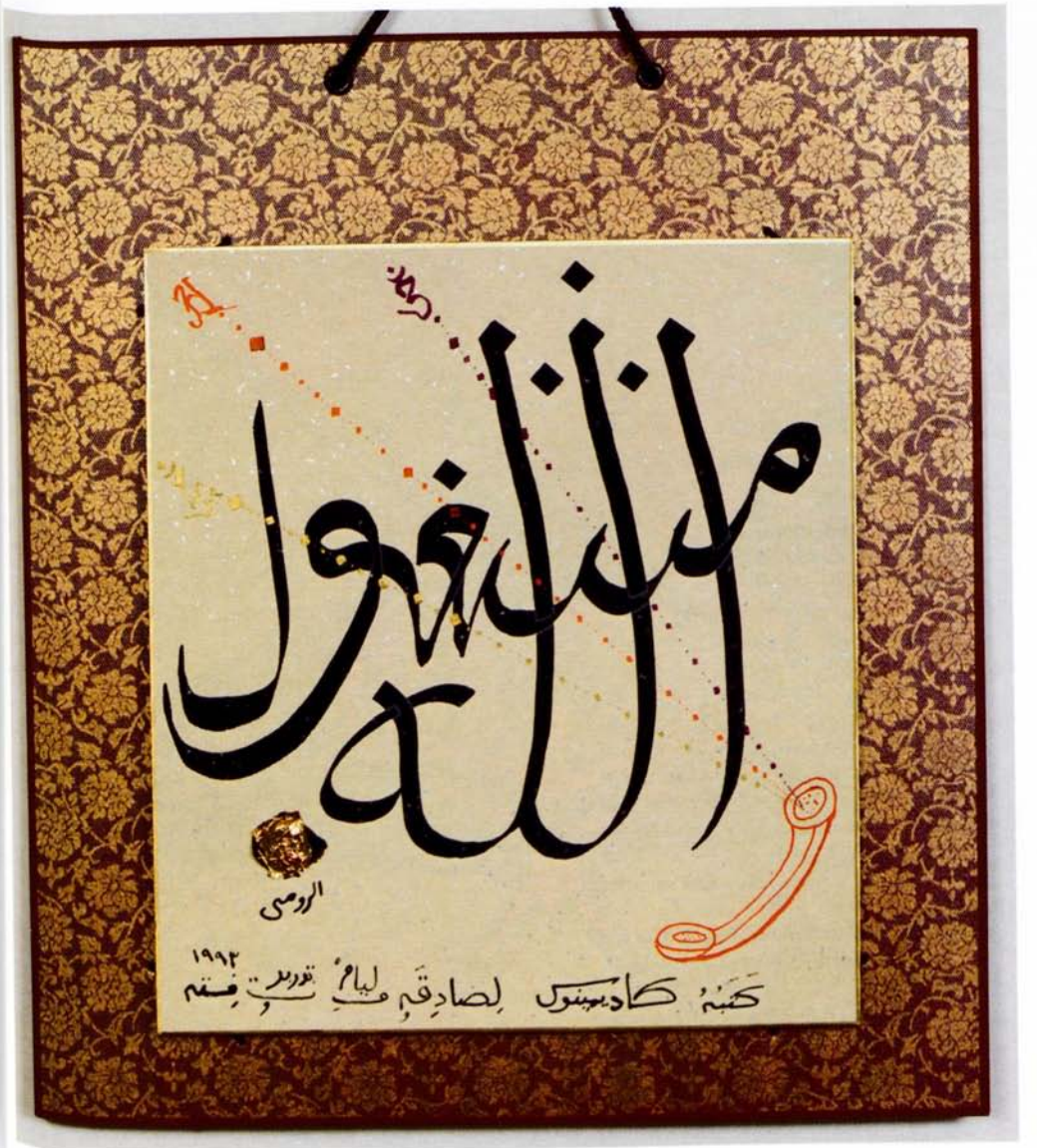
The point of glancing in the past pages from such a great distance at an entire lifetime pattern of one major entrepreneur and the history of one major company, is to glimpse an overarching theme pertinent to today's global economic situation and at the heart of the challenge of leadership and management throughout the past century—a theme that close, technical analysis easily obscures. **This theme is, quite simply, that individuals and collectivities such as businesses progress, not simply by playing the game better, but also by changing the boundaries of the game and by changing the kind of game being played. Type One knowledge and control are about playing a pre-defined game better. Type Two knowledge and control are about changing the boundaries of the game. And Type Three awareness and playfulness are about reframing the very kind of game that is being played—changing the name of the game.**

Professional management has developed over the past century, starting with the founding of the Wharton School, the Carnegie Institute of Technology, and the other professional associations mentioned at the outset of this section. But, paradoxically, professional management education today focuses primarily on teaching pre-defined, technical, analytical skills of various kinds - Type One knowledge and control - rather than on cultivating students' capacities for taking effectual, entrepreneurial, reframing action - Type Two and Type Three knowledge and control. How has this paradox developed?

We can begin to understand this paradox by recognizing that it is questionable whether management, even today, deserves to be considered a profession at all. Unlike law and medicine, recently viewed as the "major" professions, management does not operate on the basis of:

(1) a firm knowledge base derived from settled methodologies;
(2) required processes of professional education and certification;
(3) strong ethical codes of conduct administered by a professional association; or
(4) insulated and specially designed settings (e.g. the courtroom, the operating room, the small partnership) which protect professional values of independence, objectivity and service from excessive influence by markets, politics, or organizational hierarchies.

Ironically, in its attempt to become more truly professional, management education has, during the past generation, redefined its mission and practice to more nearly mimic the "major" professional schools and the dominant scientific paradigm. Since 1960, MBA curricula have been thoroughly restructured to incorporate basic disciplines such as economics, statistics, and social psychology,



Allah Mashgoul

ALLAH MASHGOUL (ALLAH GIVES OUT A BUSY SIGNAL)

Stavros Cademenos

Partial text from key on back of art work:

"Original, slightly irreverent, fundamentalist-baiting, Arabic calligraphy, incorporating authentic Japanese, Greek and Tibetan elements. Literally, it says "Allah is Occupied." Double entendre on the word mashgoul which in demotic every-day Arabic speech is understood as "Busy-Unavailable," but is also the word for "Engaged," ...presumably looking after His flock.

The pen stroke was executed at the stroke of noon 11/4/1413 H. (4/25/93 A.D.)...

The blue, red and gold (white) telephonic sound rays are the corresponding colours of the seed syllables OM, AH, HUM, emanating from the head, throat and heart chakras of the Buddhist deity Vajrasatva...

The ink for the main calligraphy was prepared after the recipe of the renowned 10th century master calligrapher Abu Ali Muhammad Ibn Moqla of Baghdad (d. 940) who created the modern Arabic script.

The reed pen used for the main calligraphy was harvested from a bamboo stand in Ware Pond, Marblehead, Massachusetts..."

Wo/Man and Friends

Wo/Man and Friends

Woodcut, Monotype, 1978
Peter Haines

The geometric linearity contrasts with the pulsing, serpentine, kundalini energy. The earthbound, adobe colors contrast with the lift of the sky-borne bird-consciousness that contains the painting. The spiritually-full atmosphere within contrasts with the emptiness without. The gravity of underman breast stroking downward contrasts with the same figure seen as overman surveying the artwork from the reader's perspective, in Gurdjieffian dance pose.

Dis-Integrating Vision

Dis-Integrating Vision

Charcoal drawing, 1974
Juliana Heyne

"This charcoal drawing does something you're not supposed to do in art--it splits the picture right in half with the two trees in the foreground, and therefore prevents the picture from achieving--or challenges the picture in an unusual way to achieve--unity. Which I think the drawing in fact very successfully does. It's the background that pulls it back together. But there a real tension between the foreground split and the background integration, and this it seems to me encourages upstream and downstream experience simultaneously. Another very interesting tension in the drawing is that the pink and gold ridge lines seem quite surreal. But in fact the unusual colors in the drawing are from the natural weathering of slag heaps in an old miners villiage valley in northeastern Washington. So the apparently wild imagination in this picture is very close to realism."

–from Fourth Lecture

A Matter of Balance

A Matter of Balance

Wood
Bryce the Toymaker

Working from photographs of the author just after publication of *The Power of Balance*, Bryce the Toyman fashioned this Gurdjieffianly mustachioed, encircled jester that can be turned in its stand or even rolled.

In a letter accompanying transmittal of the sculpture, the artist shares these comments about the playful, unbalancing and rebalancing process of artisitic creation of this piece:

"I've enjoyed putting you in a clown suit at all sorts of levels... Since we envisioned this Gurdjieffian fool, I've put on a fool's cap myself... The act of making this encircled fool was a ritual act for me. Drawing a circle around (my) foolishness. An apt metaphor for midlife.

"I've also become more aware of the nature of the aesthetic experience thanks to the art reviewing (in the *Maine Times*)...As you know, I've been searching for a middle ground between immediate representation and the timeless archetypes. Doing the symbolic relief carving the past few years, I've found one way to touch a carved Gothic sensibility - with a linearity. But I hunger for the tangibility of carvings in the round - and in the hand. Making "A Matter of Balance," I clearly saw a formal middle ground which may reflect the dual perception I'm seeking. This fool, in some sense, hovers between 2-D and 3D... I saw my perceptions pop in and out of mode with this one - and realized that it is between perceptual modes that the mystery seeps in."

while management school faculties have increasingly joined the research orientation of the arts and sciences faculty. Initially, the results of this reframing of the management education 'industry' appeared to be strongly positive: management schools increased in prestige within academia; and the number of MBAs graduating each year in the United States increased twenty-fold between 1950 and 1975 to more than 50,000 each year.

But, in becoming more "scientific" and "professional," management education has turned away from the Type Two and the Type Three challenges of the managerial setting. Market economic theory treats firms as having no legitimate purpose other than self-interested profit maximization; no legitimate power other than to produce at the point where marginal cost matches marginal revenue; and no need for knowledge other than market information (about which the organization's knowledge is assumed to be perfect). Within these equations, there is no room and no need for professional judgment and reframing action.

Meanwhile, the natural science paradigm of knowledge, widely adopted by the social sciences as well, treats the observer as necessarily detached from, and disinterested about, the observed, if knowledge is to be objective; and requires that theory be deducible from clear and consistent axioms if it is to be valid. Reframing, or paradigm change, is not a scientific process within the natural scientific paradigm.

Within these assumptions of economic theory and scientific method, there is no room and hence no criterion of validity for a real-time-inquiry-in-action through which interested actors (e.g., managers or professors of management) redefine their guiding frameworks and experiment to see whether their strategies, implementation, and outcomes are congruent with their intentions.

Although the emphasis on "scientizing" management schools may have been a necessary stage in their development, just as on a larger scale the past five centuries have represented the "scientization" of Western culture, many critics have recently blamed the analytic, technocratic shift in American MBA education as importantly responsible for our drift away from visionary and effectual business leadership and into inflation, stagnation, and the ethical monstrosities of the Wall Street 'masters of the universe' and the S&L debacle of the 1980's.

At the same time, the "major" professions of law and medicine are now severely troubled by the fact that both lawyers and doctors no longer work pre-eminently in protected settings with individual clients, but rather in a variety of ill-defined and complex organizations, subject to "unprofessional" pressures. Therefore, lawyers and doctors, as well as business and not-for-profit managers (not to mention business school professors themselves) need a kind of professional education that is virtually unavailable today - a kind of education that widens their awareness and increases their political action and ethical reframing skills as well as teaching analytical skills.

Although professional management education is in one sense a century old, there is a very real sense also in which we are at best on the threshold of framing a

new kind of professional education and a new kind of social science. This new kind of professional education will have practical, theoretical, and ethical content as well as analytic method. This new kind of interactional social science will treat the dispassionate observer and the passionate actor as one and the same person at one and the same moment - a person engaged in 'action inquiry.' Together, such professional education and such an interactional social science can cultivate individuals' capacity to take inquiring, responsible, effectual, reframing action in real-time settings. If professional management education can reframe itself in this way, it can make itself more fully response-able to the circumstances of the modern world that led to its inception. Reframed in this way, moreover, professional management education can conceivably lead the way toward a new vision at the outset of the third millennium, not only for global business, but also for the established professions and for the sciences as well.

QUESTIONS AND ANSWERS:
Sources of Excellence III: Sources of Management Education

What I'm hearing, Bill, is some connection between what you're calling Type 3, which I'm hearing you say is "reframing", and then something about an awareness of a relationship among the levels. And that somehow this relationship—which I'd like you to spend a minute focusing for me—is a paradigm for what 'quality' or what 'good' education, especially for managers, would be about. Now, am I reading that correctly?

Yes, and I think you've stated all the lumps of it in just the lumpy way that I have done. It does sound as if it's hard to put together right now, doesn't it? I'm not sure I can. Let's see, let's try it together. Somebody else may be closer to it right now than I am...

First of all, this whole business of reframing is a consciousness change, or an awareness change. That's one way of seeing the relationship between reframing and awareness. A successful reframing is not the product of reasoning alone, or of desire, or force, or money, or any combination of those. I am much more open to reframing if I am consciously and simultaneously situated in the environment, my body, my thought, and an effort of widening awareness. When I am trying to contact all of those things at the same time, I can also let go of all of them. If I see that my thoughts are changing all the time, there may be a reason to fight about a thought with you for a while, because it actually sharpens and increases our awareness to do so, but I won't react as though you are killing me when you kill my thought. It's a thrust, it's a sword thrust, and the question becomes, "What is the best conversational response in order to keep the conversation going in an awareness-widening-and-deepening fashion?"

In fact there was one wonderful contentious 18th century German philosopher named Lessing who maintained that the philosopher's obligation was to, in any sit-

uation, see what wasn't being argued for, what wasn't being supported, and to oppose the consensus or the direction of the conversation, in order to make it a better conversation. He argued there was no position per se that a philosopher should take. That there is no 'right' philosophy. That there is only right philosophical action at a moment—action that enlarges the field of awareness of the participants.

Is this like a dialectical reasoning?

Well, this obviously had a dialectical quality, but it was the idea of doing dialectic, not talking about dialectic.

Speaking about awareness and reframing; I think there's another piece before reframing, and that is awareness of the frame that you hold. That's the place where it always starts for me—being aware of having a particular way of seeing a situation and being able to consider the possibility that there might be another way to see it. That begins to loosen things up enough; and maybe it changes and maybe it doesn't. But it loosens my hold up enough, so that I can play.

To see that I have a point of view, in itself implies that there are other points of view. Most of us don't actually experience that. We may see in a reflective conversation like this that yes, you can intellectually argue that, but we don't feel that when we're in situations, because that's the way the world is—the way I'm seeing it right now—most of the time.

In my work with students, I share a variety of points of view, and ask them to see whether any of them come close to describing their point of view. That's obviously a very dynamic process. "I'm not sure..." "Does it?" But it does begin to loosen up eventually as we talk.

Bill, I'm more focused on one aspect than on the whole, but looking at legal education, medical education, business education.... It seems as if the tendency to move into the academic—away from real practice in terms of people learning outside of the academy—there's two things happening at the same time. There's an institutionalization of MBA and doctoral management education, that seems to go on one track away from practice. In legal education, the practice of clerking and the practice of law as a way of passing the bar has sort of disappeared.

Yes, during this century there has been a movement away from the work of general practice toward the world of research specialties in medical, legal, and managerial education. Recently, this momentum has been challenged by 'clinical,' and 'laboratory' educators in law schools (note that even they use 'scientific' terms to name their work). There is laboratory, legal education—there are lab courses, and there are courses that take people into the firm. But in general you will find that laboratory and field education, while much appreciated by students, holds very low status in the law schools. I myself have become involved to a small extent in the laboratory and the clinical side of legal education. There is the beginning of

more of a debate of how important that is within legal education. Because what happens is people go out from the school to the law firm, and of course the reality there is in fact very different from the normal course reality. So people become, as they do in accounting firms and as they do in most other firms, they become cynical about the relationship between knowledge and practice.

In medical school there has been some movement back toward the world of practice as well. The Harvard Medical School has made a big change in recent years where they have first and second year students for the first time going into the hospital rather than just taking science courses. So there is some significant move in medical education to be more practice oriented.

There's also such a move in management education right now by schools all over the country. Just last week I visited the University of Chicago Graduate School of Business, which is now ranked #2 in the country as compared to being #11 just three years ago. Why? Because it instituted some practice aspects to its education. They came here, to Boston College, to look at what we were doing in terms of giving students leadership and consulting experiences, and then they did what I would call a pale imitation of our program. But that was enough for a school that was already in the top 20. The very fact that they're trying and failing—they themselves admit that they're significantly failing—but the very fact that they're trying is enough to get them a better position and a better reputation among prospective students.

One of the interesting things about the way they're trying is that the whole practice curriculum does not include the faculty at all. The argument they made was: "The faculty is concerned with knowledge, this is practice. (a) The faculty aren't good at practice and don't care about it, so let's not bother them. (b) The students ought to practice together with other students. So (c) the students ought to run the course." It's a required course, but there's no grade, and you don't have to pay for it. So it's all on the outside of the curriculum. And it will disappear just as soon as the current associate dean there disappears. Because it takes a lot of support by one or two people that are willing to do this, and it's not institutionalized. The faculty do not treat it as a central, intrinsically valuable part of their mission and their practice. That's just an example of the difficulty we do have in integrating some kind of practicum now into the education itself, even though there are efforts to do that in several professional schools. I don't know if this is speaking to your issue.

[Another participant] ***What struck me was the way you separated knowledge from practice. The inference I made was that you embody the institution, the academy, with the knowledge; and the students and others with practice. And it seems that practice is moving from the business world, which produced external stress on the system, on the management school. And I would ask the question, where does the knowledge come from? Doesn't the knowledge itself come from***

practice? So it may be that this is a beginning of an upstream process. Practice will move upstream, become the knowledge, that then becomes disseminated to a different population. So learners will move upstream in this case.

Well, that may in fact happen. One of the nice things that was happening at the University of Chicago was that it turns out that they've developed 11 new Quality courses in the last 2 years—because they have a system whereby faculty can start new courses and this has been popular and so they've started all these courses. And, because they have a hard time finding things to study they've been studying the school. So now, the school is involved in all kinds of total quality improvement processes that have been initiated by the students from courses that were taught by professors who didn't know quite where to get a project. And the school now has all kinds of Total Quality events.

For example, one thing that has spread very broadly in the school is a minute-feedback process. At the end of every class session, more and more faculty at the University of Chicago, are using a one-minute feedback form. So they're actually getting feedback from the class after every single class. And that's a very tangible thing for students to see that's being done. Another thing that they have done in the last couple of years is that they have made all the University evaluations public, which B.C. does not do. We just had a talk about this in our MBA review committee the other day, and most of the faculty were very leery of this idea. It's a very scary idea.

Well, it sounds like practice is moving into the institution. External stress is the thing that's driving it.

Well, a little bit. Let's see what happens.

They couldn't get work in the business community. There was no demand for their services—they produce no value—so they went inside, and accidentally stumbled into practice.

Well, that's not quite the whole story, because on behalf of the University of Chicago I should also say that they have 9 laboratory courses with 10 students in each which work with corporations, and in each case the corporation makes a $75,000 contribution to the school, for the opportunity to work with the students. So they apparently are able to convince some people that they are delivering some value as well. But, how this is happening is taking the faculty at the University of Chicago a little by surprise. Who knows if it's going to develop in different schools, if indeed at all?

Something you said earlier troubled me about the comparison between the study of management and medicine. How would you respond to the notion that

medical science has accumulated a common data base that excludes other alternative healing arts and becomes politically powerful as the single legitimate frame?

That's clearly a description of the truth of the matter at this time.

So how does that comparison hold up? Doesn't medicine also need to be reframed?

Oh, I think absolutely. Isn't one of our major problems in this country our national health care system? That's because of the overall frame of medicine—partly as a business, the way it's been done as a business—but also partly the whole frame of scientific medicine is: I am the passive patient, and you are the holy doctor who can cure me. That is such a mistake that drives health care costs up like crazy, leads to people feeling increasingly passive—both victimized and like consumers who have a right to get help, it is creating absolute craziness in human individuals. It's a very fallacious notion, all based on the physical science paradigm of medicine. It's a very partial.... It's obviously been of enormous help, in setting broken limbs better, in doing microscopic surgery of certain kinds, but I think medicine is also extremely one-sided and partial, very exclusionary, and has an entire paradigm that is non-mutual, between the doctor and patient. And what's happening is you see now, for example, health clubs are growing very rapidly, and you have managed health care plans giving bonuses to buy into clubs. They're saying, "If you will be active and preventive, you're going to save us money", which is absolutely true statistically. So, the basic health challenge is for the person to take responsibility for his or her own health and to act in certain ways, but the currently dominant medical paradigm does not highlight that at all.

So, you said that you think that management is closer to the road. Well, it sounds like medicine is closer to the...cliff. *[laughter!]*

Well, right. You can turn these things around in order to see how each of these institutions is in some trouble right now, and therefore it would be in its own best interests to pay some attention to these ideas. But of course, only <u>some</u> people turn around and look at it that way; other people don't. And it's going to take awhile, but obviously we have our most powerful executive in the country at work on the health care issue right now—I'm referring to Hillary Rodham Clinton of course. [laughter]. And I for one think that there's every reason to be hopeful, and that things are going to get really shaken up over the next four or five years in that field, and that's very exciting.

I think we are close to the time when we should allow ourselves to conclude. We do have some refreshments outside again, so if any of you will stay for a few moments that's fine. And I'm trying to think of how we could close tonight in a way that would be appropriate.

Wait, where's the chanting?

Right, oh yes, where's the chanting.

[Audience member] ***"We want chanting..."***

"We want chanting...!" [Laughter] Let's hear it:

[Many people together] ***We want chanting! We want chanting.*** [laughter]

O.K. That's how it's going to be. O.K. chanting, sure. So, in the quest to develop self-regulation in the emotional realm, which I think is the hardest because it is possible to be critical about your thinking, and it is possible to do exercises and get yourself into a different posture fairly easily, but we don't know a lot about how to change our feelings. Now, there is meditation and prayer, and all the kinds of silence that we can create, but another very useful thing is chanting. I came on this completely by chance. I had to make a long drive three times a week when I was in my early 20's, from New Haven to New York—I was going down three times a week and back—and I was driven crazy by boredom on these trips. And sometimes I was returning from a spiritual community which had a great deal of silence. All that silence was wonderfully empowering, but by the time I got into my car again to go home I just had this energy that was bursting to get out, and I would just scream in the car, or yell, or make sounds, or... And then gradually about a year or two later I realized I was making the same sounds every time. I really hadn't noticed it, but I was getting a kind of a song that I sang to myself, and I suddenly realized that I was discovering something about the nature of my feelings and voice and the rhythm of them. So then I just began to chant, in order to discover what I was feeling and again to air out the body a little bit. We have time for a full minute of chanting. Again, this is not something that I generally do in public.

Are you doing this alone?

I'm doing it alone, unless somebody is joining me, yeah. Let me—please join me if you like, just start making your own sound, but don't feel required. Let me do a sort of round, and then I'll start again, and you can start with me then. O.K., here it goes. I can't do this on purpose—I have to find it each time.

[pause]

[Bill chants]

Those are just sounds, there's no words, or...

Absolutely, there's no words, there's no attempt to.... It's just sort of moving the breath through my throat you might say, in a way that feels right. It's not trying to... See, I don't have a singing voice—I can't sing, at all, I don't know notes. So it's not an attempt to do any notes. Its just an attempt to make a sound which is... I'm not even listening to the sound I'm making at the beginning. I'm not listening to it very much. I'm listening down into where the voice is coming from. That's what I'm trying to do. I'm trying to use the voice to try to open up more deeply inside myself. So in a sense it's just pure chance what comes out. I'm

saying it because if you want to try this in your shower or in your bedroom, or then in your car...

So, do you want to try it again, do some people want to try to come in with me? O.K., so here goes. We'll see what we produce here for a second.

[Bill leads a chant—others come in melodiously. The melody meanders a bit...]

O.K., I think time's up folks.

[applause]

Thank you. I look forward to the next one.

FOURTH LECTURE

THE SOURCES OF MARKET ECONOMICS:

Europe 1453 – 1776

WILLIAM R. TORBERT

Carroll School of Management, Boston College

In our brief glances back through the history of the United States during the past century, seeking the sources of economic growth and stagnation, we have thus far repeatedly encountered phenomena that are not usefully described within the language-universe of modern economic theory. Think again of President Johnson waging the War in Vietnam and the War on Poverty simultaneously; or of President Roosevelt's unprecedented deficits during World War II; or of Sears and Roebuck's development of decentralized retail stores in the 1920's and 1930's; or of Andrew Carnegie's decision to give away a large proportion of his wealth at the turn of the twentieth century. In each of these cases, we are confronted, not with a well-defined economic problem, but rather with settings and decisions in which economic, political, and moral issues are inextricably intertwined and in which the very name of the game is profoundly unclear at the outset. On a smaller scale, these same, difficult conditions frequently seem to characterize the situations in which we find ourselves in our own everyday work lives.

Yet modern economic theory has progressed, in terms of internal coherence, rigor, and elegance, by treating economic analysis as sharply distinct from political and moral analysis; and by treating the economic/business game, motivated by acquisitive self-interest, as well-defined, indeed as self-evident. Indeed, so self-evident has the calculus of economic rationality sometimes seemed, that economists imperialistically apply their forms of calculus to the political and moral domains.

In this chapter, the effort is to glance at an even larger arc of history than heretofore, the period between the European Renaissance in the late 1400's and the present, with the publication of Adam Smith's *Wealth of Nations* in 1776 as an

illuminating moment that contains in microcosm the curve of this entire historical period. The intention is to glimpse what historical dynamics led to the intellectual and practical disjunction of economics from politics and from ethics and to the view that humankind is motivated by the lowest common denominator - acquisitive self-interest, rather than by "the highest possible numerator" - the love of God and the promise of heavenly bliss.

The paradox is that Adam Smith would never have recognized himself as responsible for generating a disjunction among economics, politics, and moral philosophy. For, Smith himself occupied the Chair of Moral Philosophy at the University of Glasgow, and, as the title of his earlier book—*The Theory of Moral Sentiments*, published in 1759—shows, he wrote about ethics as well as, and before, economics. In other words, Smith's mandate and his intention were to show the proper interplay among the moral, political, and economic realms. Indeed, in *The Theory of Moral Sentiments*, Smith explained why narrow, acquisitive self-interest was not humankind's only or ultimate motive. Following his own teacher, Francis Hutcheson, who held the Chair of Moral Philosophy at Glasgow before him and who inspired the thinking of many of America's Founding Fathers, Smith argued in *The Theory of Moral Sentiments* that one of the "selfish" pleasures motivating humankind is a delight in order and harmony, beauty and grace. "The man within the breast," as Smith named our self-observing capacity, enjoys both aesthetic beauty and moral virtue because both exemplify an interweaving order among things and persons, within nature and society. And this intrinsic, aesthetic pleasure in turn motivates us to participate in generating more such pleasure—by acting in a graceful and ethical manner ourselves (and observing ourselves do so).

If this brief recapitulation of Smith's early thought suggests anything but a mind bent upon disjoining ethics from politics from economics, we will be even more surprised by a portrait of the man himself. Anything but the image of a pragmatic, acquisitive "economic" animal, Smith delighted in nothing so much as philosophical thought and discourse, sometimes walking for miles in a reverie, lips pursing abstractedly, feet repeatedly hesitating as if to change direction, "the man within the breast" finally awakening to his unfamiliar surroundings and to the fact that, on at least one occasion, he was out in public wearing his nightshirt.

The Man Within the Breast

Let us examine more closely just what Smith's doctrine about "the man within the breast" was, in order to see how this ethical construct could evolve into the economic construct of the Invisible Hand regulating acquisitive self-interest.

"When I endeavor to examine my own conduct," Smith wrote in *The Theory of Moral Sentiments*, generalizing to all of us,

> I divide myself as it were, into two persons.... The first is the spectator, whose sentiments with regard to my own conduct I

> endeavor to enter into, by placing myself in his situation, and by considering how it would appear to me, when seen from that particular point of view. The second is the agent, the person whom I properly call myself, and of whose conduct, under the character of a spectator, I was endeavoring to form some opinion (p 206).

Smith had great confidence in the strength of this spectator within the breast to regulate human conduct:

> It is not the soft power of humanity... that is thus capable of counteracting the strongest impulses of self-love. It is a stronger power.... It is reason, principle, conscience, the inhabitant of the breast, the man within, the great judge and arbiter of our conduct (p 234).

Should the man within the breast ever become confused or benumbed by unjust praise or calumny, or by self-delusion, we can, Smith tells us, appeal "to a still higher tribunal, to that all-seeing Judge of the world, whose eye can never be deceived, and whose judgments can never be perverted (p 227)."

But "the man of real constancy and firmness" who has been bred "in the bustle and business of the world" is unwavering in his relationship to the impartial spectator. "He has never dared to suffer the man within the breast to be absent one moment from his attention."

What do you think? Is this an easy argument to accept in this post-Boesky/Milken, post-S&L, post-Bakker, post-Iran/Contra era? Do you think that all those people whose shadowed actions eventually came to the light of public knowledge were operating with an observer within the breast awake at all times and ethically regulating their actions? Do you operate with an internal observer awake at all times regulating your conduct?

Smith does acknowledge that "the man within seems sometimes, as it were, astonished and confounded by the vehemence and clamor of the man without. The violence and loudness with which blame is sometimes poured out upon us, seems to stupefy and benumb our natural sense of praiseworthiness and blameworthiness (p. 227)." But such hesitation, he reassures us, is overcome by appeal to that still higher tribunal, that all-seeing judge of the world, "whose eye can never be deceived," until, as stated above, we almost become that impartial spectator.

The Counterargument

Surprisingly, however, not ten pages from the previous quotes Smith offers a quite different sense of our relation to the impartial spectator. He acknowledges, for example, that practice under conditions of hardship is necessary to awaken the man within the breast, and that no one willingly undergoes such hardship:

> The man within the breast... requires often to be awakened and put in mind of his duty....(p. 256).
>
> Hardships, dangers, injuries, misfortunes, are the only masters under whom we can learn the exercise of this virtue. But these are all masters under whom nobody willingly puts himself to school (p. 255).

These comments seem directly contradictory to the earlier quotes about never forgetting the man within the breast. Smith also acknowledges that to become impartial in reflection is a wholly different, and much less difficult, challenge from being impartial in the midst of action. Thus, in these comments, Smith gives the impression of an almost superhuman difficulty of operating amidst passions and hardships while remaining awake to the impartial observer within the breast.

Obviously, there is considerable tension between Smith's two views: the one of an impartial spectator who, almost by birthright, dwells within our breast and whom we "never dare to forget" for one moment; the second of an impartial spectator to whom even the most capable of us may never awaken at the crucially decisive moments of our lives.

Collapsing the Ideal and the Real:
The Unresolved Tension in Smith's Thought

As the foregoing quotations show, Smith gives ample attention to each of these dichotomous perspectives. Yet, surprisingly, he never directly acknowledges the tension he illustrates. Instead, the main line of his argument is based upon the powerful presence of "the man within the breast" as an ethical regulator of conduct. This is, of course, a very "Protestant" and "English" presumption, emphasizing the ethical probity of the individual, unguided by any authority other than reference to his or her own direct, internal contact with conscience - "the man within" and the "all-seeing Judge."

Reviewed as above, it seems clear that Adam Smith's "English," "Protestant" view of human nature is idealistic. For any of us to actually experience this ideal would in fact require a lifetime of examined experiencing, with "masters under whom nobody willingly puts himself to school." But Smith collapses this idealistic theory of human nature together with people's ordinary behavior. That is, Smith treats the ideal theory of humankind's potential for ethical self-regulation as though it is a descriptive theory of how humankind actually behaves.

To collapse the ideal and the actual, as Smith tends to do, is to make a serious empirical mistake. This serious empirical mistake leads, in turn, to the profound theoretical mistake of developing a moral philosophy, and later, in *The Wealth of Nations*, a political economics, based on the assumption that fully

responsible self-regulation in persons and organizations is empirically prevalent, and that the Invisible Hand of market discipline will eliminate the exceptions.

Why did Smith overlook the enormous developmental distance between those whose actions are determined by others' approval or disapproval and those whose actions are determined by their efforts to achieve harmony among their inner observer, their strategies, their particular behaviors, and their effects on others? Why is this developmental distance so difficult to see? And how did Smith's overlooking the distance influence modern life?

Unchaining the Individual from the Great Chain of Being

In order to see how our modern economics evolved from Smith's thought, we need to appreciate the entire "curve" of modernization. To understand what history has made of *The Wealth of Nations* and how Smith contributed to a historical direction that he did not fully recognize, we must return to the late fifteenth century. Looking from that time to the present, we can seek the common thread among the apparently diverse dynamics that burst feudal society and the unitary Catholic worldview asunder and led, through Adam Smith's ethics and economics, to the modern perspective that has become fully explicit only over the entire stretch of the past five centuries.

Some would date the modern age from 1453 when Gutenberg's printing press first began producing the Bible en masse and the Turks first used cannon to breech Constantinople's massive walls. The one invention undermined the medieval religious hierarchy by permitting anyone to read (and interpret) the Bible (and Luther's 95 Theses) for himself, rather than relying on the priesthood. The other invention undermined the feudal military hierarchy by permitting anyone to shoot a cannon at many others from a distance, rather than relying on one-to-one combat by a knightly class for defense.

Permanent market places and a commercial class of burghers were forming as "free" chartered cities, so towns grew outside the feudal order. Trade grew as the explorations around the tips of Africa and America revealed wider worlds, more gold, and more kinds of goods than had long been dreamed.

As economic life became increasingly independent of feudal obligation, moving away from barter and toward monetary exchange, it increasingly supported the possibility of an independent political life for kings and nations. At the same time, the split from the Catholic Church of Lutheranism, Calvinism, and other sects put the church increasingly in the position of bargaining among political powers for support. This trend reinforced the relative independence of nation states and led to the notion of "sovereignty."

Likewise, in the world of the mind or spirit, different "provinces of meaning" were asserting their independence from one another. In art, Michelangelo and Leonardo were sneaking into mortuaries to study how human bodies are really composed, rather than reproducing idealized, iconic religious figures. Copernicus

and Galileo actually studied the stars empirically, treating their observations, rather than the ancient texts of Aristotle or Ptolemy, as the ultimate authorities of truth and falsehood.

Descartes' "Cogito, ergo sum" ("I think, therefore I am") began to tear philosophy apart from theology and establish its independence. Doubt rather than faith was Descartes' new intellectual methodology. His reasoning convinced many that one's own thinking—not God—grounds or proves one's existence, because one cannot doubt that one thinks (for in doubting one is thinking).

Jean Bodin in France and Thomas Hobbes in England began to tear politics apart from theology, building an argument for absolute monarchy on the grounds that people form a state from fear of disorder. Life in nature, in Hobbes's famous phrase, is "nasty, brutish, and short." Hence, even a bad monarch is better than no monarch at all, and revolution is never justified. The saying "might makes right" emanates from this line of thought.

Diversity As A Common Thread

The common thread in all these material and intellectual developments is, paradoxically, their very diversity. Departing from the medieval ideal of unity as found in the texts of Aristotle or the Bible, the new movements looked instead toward the actual manyness of the natural and social world. Medieval life might be metaphorically represented as a tightly wound genetic spiral pointing inward and upward in one direction (however idealized such a metaphor may be, given the actual disorders and cynicism of those times). Or, in its own metaphor, medieval life might be represented as a perfectly designed Gothic cathedral, drawing the eye and the spirit upward toward God.

By contrast, the past five centuries might be metaphorically represented as an exploding atom, each sphere of life a separate tangent pointing outward and downward in its own direction. Seeking independence from constraint, each sphere of life sets its own measure of good, rather than some "common good," as the only and ultimate measure of good. Thus, "art for art's sake," "pure science," "might makes right," "profit maximization."

Just as nuclear fission releases enormous physical energies, so the cultural fission that has been occurring across the past five centuries has released enormous intellectual, emotional, spiritual, and productive energies. The Western world has discovered the creative social alchemy of relativism and individualism to a degree unparalleled in any previous culture. But as this process of cultural fission has run its course, the dark sides of relativism and individualism have increasingly bedeviled us.

What began in the 16th century as a liberation from an increasingly sterile Catholic ritual when Luther proclaimed the individual's capacity to know God directly through faith, without priestly intermediaries, became Nietzsche's madness at the end of the 19th century, as he struggled with the ultimate implication that no common principle remains, that "God is dead."

What began in the 17th century as a political liberation from sterile theocracy eventually became terrifying regressions into the totalitarian tyrannies of Stalin and Hitler in the 20th century. First, Hobbes' formulated a social contract that lodged ultimate authority in the people while continuing to justify absolute monarchy. Next, Locke's formulation made a place for revolution in the case of unjust monarchy. The American Constitution for the first time institutionalized popular election of the executive and non-violent change of the social contract itself. But then, only a few years later, the French Revolution ended, in the name of "the people," with the Terror and the guillotine. And in the early twentieth century, the Russian and German revolutions of 1917 and 1933 led to the more thoroughly totalitarian dictatorships of Stalin and Hitler.

What began as a celebration of the natural harmonies of God's creation in the science of Kepler and Newton became the stark vision of an entropic universe in 20th century physics, wherein life is never more than local, inevitably dispersing and running down toward that ultimate lowest common denominator: -273 degrees Celsius, 0 degrees Kelvin.

Adam Smith's Role in the Evolving Mechanistic Perspective

In Adam Smith, viewed retrospectively from two centuries distance, we see virtually the entire "curve" of the movement from a centering, meaningful, relational universe to a dispersing, meaningless, solipsistic universe. At the center of Smith's early moral philosophy stands his inner observer, "the man within the breast," an aesthetically-motivated, meaning-making, relation-harmonizing being. This metaphysical, unifying ideal connects Smith back to medieval theology. But already Smith takes this inner observer for granted as an existing aspect of each human being. The challenge of centering—the challenge of swimming upstream—the challenge of acting in such a way as to cultivate this inner eye is already forgotten. Smith does not notice that his own absent-mindedness, when he walks about in public in his nightshirt, is significant, signifying that his inner eye is not automatically open, not automatically observant of the relationships among his deepest purposes, his theoretical strategies, his actual everyday behavior, and his effects on the world outside.

In *The Wealth of Nations*, Smith takes another major step away from a moral universe to a mechanistic one. He generates a theoretical market system regulated neither by any human action of awakening and harmonizing, nor even by any hypothetically pre-existing "man within the breast," but rather now by a non-human "invisible hand." Obviously, Smith's elaboration of the harmonious interaction of the impersonal laws of supply and demand is at once theoretically brilliant and empirically plausible, or it would not have played such a major role in human affairs ever since its formulation. But, as we can most clearly see by observing the United States' economy today, market capitalism in no way guarantees organizations committed to observing discrepancies among their

missions, strategies, operations, and effects on clients and environments, or committed to correcting those discrepancies through continual quality improvement processes.

My argument here is that an even more important reason for the historical stature of Adam Smith's theory than its brilliance and plausibility is that it fit into and accelerated the historical "curve" illustrated in the foregoing pages. At the time it was formulated, the doctrine of automatic economic self-regulation through the operation of an "invisible hand" had many liberating and progressive effects, justifying and highlighting the creative role of entrepreneurship, the benefits of reducing intra- and inter-national trade barriers, the function of price competition as a discipline, and the importance of a broad base of consumer wealth.

Only in the longer term has another major effect of Smith's "invisible hand" doctrine emerged. Now we can see that the hegemony of market economic theory in discussing business has contributed to a broad social blindness. As a society, we Americans are largely blinded to our own moral and political responsibilities for creating and regulating the frameworks within which we work and play. Because the doctrine of automatic market self-regulation holds that individuals and companies will in fact be maximizing the public good by pursuing their own private self-interests, it atomizes the economic universe and obliterates the very concepts of moral and political responsibility, and of common goods.

QUESTIONS AND ANSWERS

Sources of Excellence: Sources of Market Doctrine

I'd love to have your questions... I'd love to have your answers.

You end your lecture with very strong language when you say that the doctrine of market self-regulation obliterates the very concept of moral responsibility. Why do you call it a "doctrine"? And do you seriously mean that it "obliterates the very concept of moral responsibility"?

You are right that the language is strong, and it is intentionally so in order to catch people's attention. It is hard to catch their attention because Smith's theory has been transformed into a kind of theological doctrine or even dogma that people today—even more so since the rise of Japanese capitalism and the demise of Soviet Communism—take it for granted without upstream inquiry.

And yes, I do seriously mean that market economics obliterates the concept of moral responsibility. Market economics assumes that desires for material goods are insatiable and that seeking to satisfy any and all of them is, in principle, morally positive because that guarantees continuing economic progress. No other major doctrine views desire in this way. Buddhist "theology" agrees that desires are insatiable, but regards them therefore as the root of all suffering and provides disciplines for transcending desire. Other forms of constitutive rationality counsel

other moral disciplines for shaping one's desires so as to do good and avoid evil. There are many different arguments I could make to reinforce this point, and we can discuss them afterwards if you wish.

You kept alluding to the "spectator" who can make us ethical. Wouldn't an impartial observer be just as likely to let us get away with something negative?

The idea is that this observer likes to see beauty. We prefer to experience beauty to ugliness. Now, in our modern view everybody has the right to divine beauty and to define beauty in their own way, and in some sense we do. We prefer comfort to pain somewhat, we surround ourselves in our homes with things that we like rather than things that we don't like. Generally, we prefer beauty. We would prefer to see ourselves acting effectively, for example. So if the impartial observer sees that I tried to do this but I accomplished that—I tried to create a positive relation but the effect was a negative relationship—then there's a sense of disharmony and a motivation to try to become more harmonious or more beautiful. That's Adam Smith's sense of it. The observer is impartial in that he doesn't pretend that disharmony is harmony, but he prefers harmony.

Now, again, when we try to look at our own experience, we see that we aren't always ... we sometimes sleep right there on the couch even though we're uncomfortable, even though we know that the next morning our back is going to kill us. All the calculations are there—we ought to get up, it would be worth the effort, we'd feel better in the long run, and we know that, but we don't do it. Also, of course, very few of us independently define beauty for ourselves. Instead, we accept current fashion without much question.

Would a consequence of Smith's approach be unregulated business, because there would be internal regulation by this impartial observer so there would be no need of governmental regulation?

Well, this is certainly the basic argument: that the self-regulating market will always generate greater efficiency than any form of regulation. Now of course there have been interesting exceptions to that from very early on. One of them was the anti-trust act. There was this sense that you could corner the whole market and create a monopoly, and that wasn't in everybody's interest. So you could create regulation to keep things small. My point is that what gets left out in the self-regulating person argument and the self-regulating market idea is how you construct such a person or such a market to begin with.

You were talking quite a bit about swimming upstream, and also about this "man in the breast" being rarely awake. Is it the case that you can only be swimming upstream when the "person in the breast" is awake. That's the only time you're aware of what you're doing, you're aware of how its differing from what everyone else is doing. Is there a connection there?

Terrific question. I'm not sure which causes which. Is it that you can't swim upstream unless you're awake? Or is it that you can't awaken unless you swim upstream.

How can you get upstream if you're not awake?

But you're not awake unless you've gone upstream a ways.

You can be going upstream but not know it. If you're following someone else, for example. I am thinking of companies which are doing the socially responsible thing. Some of them do that because swimming upstream they realize that they have to do something in terms of public good. But other companies sort of latch onto that as sort of a marketing thing. Are they really swimming upstream or not?

If you're focusing on something visible out there, you are not swimming upstream. This is one of the difficulties that has been perennially present with upstream leadership. You can't teach it by imitation. I can't say, "Do what I do" because what I'm doing out here is not "it". So, if any aspect of a particular process that claims that it is "upstream leadership" becomes popular, a lot of what people then do is imitate externally what may truly have been upstream leadership internally. And that's not it. So then it begins to become corrupted; distorted into something else. A downstream, imitative, awareness-narrowing process begins to replace an upstream, origin-seeking, awareness-expanding process.

And indeed anybody who's aware at all of what they're doing and who's trying to exercise upstream leadership will realize that the process they're trying to be engaged in will experience corruption and distortion. There will be corruption within the process. The problem is how you purify as you go. You can't set up the perfect process and have everybody live happily ever after. That isn't the way life's struggle toward awareness works.

Attention goes downstream; it goes out. So, my intention to swim upstream requires some kind of effort that I haven't been taught. Naturally, I go out; I go with the (downstream) flow; I see you doing it; it sounds good, looks good, I'll try it. And then I'm not doing whatever it was on the inside. Swimming upstream is swimming against the current of attention.

I think that there's a connection between Adam Smith and the couch bit, where you're hurting and you're not getting up although you know that you ought to get up and turn off the T.V. I think what's missing there is an acknowledgment of habit as a moving force. It's true that you're rational, and if you're rational then you'll be doing the right thing, so people are psychologized into doing what they want to do, and a lot of ways we intellectualize to know what we want to do. But there's this thing which is habit. I think that's what's missing as a big part of it. I think it ties in to how we are talking about going upstream.

What makes going upstream intractable, is that we all have different habits that we're entrenched in. What to you is a habit that you have to work out of, to somebody else it is not a habit. So it might not seem as hard to do. There's a dimension there between going upstream and being able to acknowledge your habits, and try to work out of your habits.

A third thing was the notion of work. In corporate America, the more powerful and together you are, the less work is a chore—you're a self-realized being who does activities and emanates success; and you're enjoying what you do. In it, there's the sense of work, where you don't know what the outcome of you actions will be. Work, in the sense of labor, in the sense of sweat. It's a sense where you put yourself into it and you don't know whether its going to be successful or not. You're not certain of the outcome.

Yes, well that is a quality of the kind of work I'm talking about, whether its outer work that one doesn't know the outcome of, or more particularly inner work. Swimming upstream, one is constantly getting caught in shallows and bystreams and not realizing it. It's that kind of work in which one isn't certain whether one is doing the right work at a given moment.

So that, there is this feeling of incompleteness in upstream swimming. And I think a great deal of modern anxiety is a feeling of anxiety that is telling you that you don't really know what's going on. But we think we're supposed to be in charge and know what's going on. That's our 'ivory tower' version of ourselves. The 'real world' vision of ourselves is as constantly feeling incomplete and unfinished, and on a kind of edge.

Can we become comfortable with that taste of incompleteness?

I'm having a problem with the analogy of going upstream. Going upstream implies going against the easy way, going against the pattern, and I assume going against the general population. Is that right?

Well, not the last, going against the general population. I suppose all of the whole population might be going upstream...So you're not necessarily being non-conformist on the outside. It's just that you're picking and choosing ...

If you choose to do it, it's not merely imitation, its not merely habit. Or you are aware that yes, this is a limited response, it's not full. The best you can do in terms of swimming upstream at this moment is to be aware of that slight discomfort, that you are once again doing the same thing—giving a long answer to a question—as you have a thousand times before, and the best you can do is stop!

Getting back to the same question. I was going to ask the same question about downstream - upstream. I viewed it as downstream, outward, something that you do in practice; and upstream, inward something that you meditate on—know yourself. What I'm hearing is knowing about yourself, but then doing something about it as well. I'm not quite sure.

Well, in fact, if you integrate upstream and downstream in a public setting with other people, you are trying to do this inner work to get a better view, to have more illumination inside, and that effort is affecting how you're speaking, just as we are now. We're speaking in a way that could be helping us each to try this practice of watching ourselves like an alien or swimming upstream, or whatever we want to call it. So we actually act in a way that increases the public illumination. Illumination that isn't just out here.

This goes back to the lights. The electric lights give the impression that its all illuminated, that we know what's going on here already. But what you say next may completely change the definition of what this meeting is about. That's always possible, for anybody at any time. That's reframing, that's very scary. Who knows if its right? You can never tell. It may not be right. That's one of the signs that we're going upstream when you have that feeling of "This may not be the right thing!" And this may not be the right thing either.

I'm just going to go back to your business example. In a way, Milken and Boesky were upstream people, but maybe they decided to send their spectator on vacation, and their greed overtook their upstream motives. They were creative in the concept of a junk bond, high risk for people who didn't have money; they had a real creative way as upstream thinkers in a business sense. So I wouldn't negate them totally as not part of this process.

Well, but let's examine that a little bit. The idea of being upstream and working on this upstream is very very different from the idea of being creative in an external sense. And this example is very good because it's obviously possible to be extremely creative and have tremendously selfish effects and negative effects on the outside world, despite being creative enough to keep that game going for a while before its overall legitimacy founders.

Was Hitler doing this upstream swimming? Was Stalin doing this upstream swimming? They were tremendously successful for a long period of time by many indices. They were very creative. Hitler created out of a wounded non-nation, a unity that had eluded Bismarck and other German rulers for 50 years. He created strength out of weakness...

The issue of legitimacy is pertinent in this example of junk bonds, too. That in itself was not an illegitimate method of raising money. What became an illegitimate part of it was what they started to do to undermine the people that had invested. It wasn't the concept of junk bonds.

Right, it was primarily the way in which they used it, although the way in which they were sold and the statistics used to support them were all fallacious statistics that weren't based over a sufficient time period. When you looked at the time period three years later you found out that they had not been as successful as they were being proclaimed to be with too little of the time series behind them. So there was playing all around a lot of edges of what's legitimate.

There was obviously something creative and compelling about it—there's something creative and compelling about Adam Smiths' notion of the Invisible Hand. It has some tremendous creative effect on out economy. We are richer now, wealthier, more prosperous as a world because of Adam Smith's idea. So it's created greater downstream success in a lot of ways. But something is seriously missing from the world right now. We're a very fragmented world. There is no common meaning. Our youth are more depressed than inspired. And we don't have a way of developing that common meaning. And because we are a global society now, this issue is becoming more and more important. But we don't know how to address it yet. Our intellectuals are mostly being wagged by the current intellectual fashion—are being wagged by the post-modern tail of modernity.

What I like about your Milken and Boesky analogy, is that the whole junk bond thing was an emanation from Milken's mind. It was the pattern of his doings. And he sort of created the criteria by which to judge him.

I think you have to look at him as a personality. It's what is driving him—he didn't really have any choice to create this world. The downstream process is a process in which you don't have any choice. You're driven by these very strong motivations that are based in psychology.

I happen to work with somebody that is probably going to be the next guy like that. I can see that he's totally driven by it—it's an intrinsic part of the world that he's creating. He cannot look at what's driving him. How much choice does he have to be somebody else in that situation?

This business of upstream demands a separation between my normal movement—the creative movement is out—and this other movement, which is different from creative. It's going back to the origin. Creative is coming from the origin and creating something out here. Upstream swimming is going back toward the origin. It demands dividing myself, not being sure of myself, not just being who I am all the time, not saying "everybody knows that I yell so its O.K.", which is something I read in one of my student's papers today, quoting somebody in his office. People say this kind of thing all the time: "That's the way I am. I can't be any different." As though I'm one chunk of block.

This upstream swimming starts to pull me apart between the personality that goes out and answers questions too long, and the part that is, at moments, going in a different direction from that.

That's why I like this charcoal drawing, here. (see color plate – "Dis-Integrating Vision" by Juliana Heyne of Seattle, Washington) Because to me, it does something you're not supposed to do in art—it splits the picture right in half with these two trees in the foreground and therefore prevents the picture from achieving—or challenges the picture in an unusual way to achieve—unity. Which I think the drawing in fact very successfully does. It's the background that pulls it back together. But there's this real tension between this foreground split and the back-

ground integration, and this it seems to me encourages upstream and downstream experience simultaneously. Another very interesting tension in the drawing is that the pink and gold ridge lines seem quite surreal. But in fact the unusual colors in the drawing are from the natural weathering of slag heaps in an old miners village valley in northeastern Washington. So the apparently wild imagination in this picture is very close actually to realism.

I don't understand the relationship between the "man in the breast" and "upstream." Would Adam Smith have said that the "man in the breast" said to Milken "this is O.K."? And so could the man in the breast say it's O.K. to do something wrong? Or, did he feel it was always going to be intrinsically good?

I think that by assuming that the man in the breast was already awake, Adam Smith closed off the dilemma of discovering and creating the man in the breast. Therefore, he shut us away from—it was one part of many things that shut us away from—this upstream work.

Would Smith have said the man in the breast would permit Milken to do it? I don't think its easy to say yes or no to that question. If you follow his main line of the argument, he would probably say that Milken was overcome by "the man without." Smith distinguishes between "the man within" and "the man without." "The man without" is everybody else who's saying what is good and what is bad. The true "man within the breast" is looking impartially and seeing the real harmony or disharmony.

Smith might say, "Milken looked too much downstream at the outside world in terms of what people respect, what people think is great—a fast buck, a quick return, the kind of power he gradually developed. I think he was taking his values too much from the existing culture."

Adam Smith would never do an upstream thing. He would always be sort of pedantic.

I don't know quite what you mean when you say, "Adam Smith would never do an upstream thing".

That he would want to conform. And upstream to me is not to conform.

Well, I think that he imagined that his rational thought—his ability to imagine this idea that he proposes to us—was the same thing as experiencing oneself in one's fullness. In other words, he really didn't see that thinking is different from observing myself thinking; thinking about my body is different from bringing my attention into contact with my actual sensation and movement.

You mentioned feeling comfortable with that anxiousness that comes with being more conscious and being more aware. I'm frustrated because it seems we're all caught in a catch 22, where there's a lot of expectations that come up—

"to be polished" and "to be in control" and "to know where you're going", and at the same time to see these expectations rather than just be controlled by them seems to require welcoming some of the confusion that it takes to get there. I think that the people that have evolved in getting into that confusion—artists, poets, people in religion and people in therapy; society looks at them: people in therapy as sick, artists—they're bright and idealistic but they're a little bit removed, even with religion, either you're fanatical or your .... this sense that you're a little bit off or removed if you are doing this upstream work.

Well, that's partly because most of the forms of upstream exercise that we know involve retreats away from life, involve going to a special place in order to do this exercise, which is partly necessary because in fact "the man without" makes us self-conscious, and doesn't help to create an atmosphere that reminds us to try again, to try again, to try again, and reminds us what that trying could be. So we do need to retreat. But most of these spiritual paths don't have continuing disciplines that they offer in the midst of everyday life.

Of course one could be in the position of acting out the highly polished person at the same moment as one had a real uncertainty inside about whether this is the right act to do right now. So it isn't one or the other. It isn't like you're a bumbling person who's feeling around in the dark, or a polished person; its maintaining a distinction between the outside presentation and the inner experience.

Is that not just a clash between two sets of norms? The norms that I hold as being the norms of the community, as being different from the norms that I hold as mine—hence the discomfort of the mind.

That's a way of describing it, yes.

I don't see it as "norms". I see it as these norms, those norms.... Maybe if we challenge the norms that we hold, we are going upstream.

Right. The upstream is not just challenging society's norms, necessarily, but it is necessarily challenging our own norms.

I think one experience is you get more aware when you consciously want to challenge the way you are; deliberately wanting to engage in some kind of a change, whether its an attitude or whatever. At another point that man within the breast might be very vivid and always paying attention, so when you go back to your old pattern he might say "whoa, what's going on, you're going back!" And then you after a while you might stop. You think you're going to say one thing but then you act a different way....

It can't work just by thinking about it. You actually have to begin paying attention as you act in the new way; paying attention as you act in the same old way again; participating in your old habits, feeling the discomfort when you're aware of the habit; beginning to recognize the tendency to go right back into the

habit without awareness—how nice it is to be in the habit when you're not aware...! So what is that? Why do I love that habit so much? And I become interested by the actual mechanics of my own feelings, as well as the mechanics of my thought, and then the mechanics of my action. They start jostling against each other uncomfortably, rather than the comfortable way that habits have.

But there are distinctions between good habits and bad habits which we have really lost. A bad habit is one that I do by inertia, that takes me over. A good habit is one that requires an exercise of will. I have to get myself to do it. There's something besides inertia that has to occur to get started on a good habit, whether it's going for a jog each day or whatever. There's always something to keep me from doing a good habit. So a good habit always demands going against inertia—swimming upstream—a little bit, and that's the way of telling that it's good.

Is it not possible that a good habit could be an inertial habit though? There's this notion that the habits that you fall into are bad, and the habits that you have to push yourself into are good. But truly, can't you push yourself into a bad habit and fall into a good habit?!

Well I don't think so, but that's my approach. It's an unusual way of distinguishing, I acknowledge.

What is it, then, that makes a habit a bad habit? Automatic behavior?

That's what I already said, that it happens by inertia. That it has an automaticity to it. Therefore, as it goes on, my awareness is increasingly reduced and narrowed. On the other hand, a good habit widens my awareness. If I go for a jog, it has the opportunity of making me more aware of my body than I was before. But do I always jog the same way, by inertia? If I jog with a question about how to jog, changing paces, maybe going backwards a bit, my jogging is more likely to increase my awareness.

Independent of the outcomes of these actions, is that what you're saying? If you're aware of it it's a good habit, if you're not aware of it it's a bad habit?

If it increases your awareness it's a good habit.

That makes it independent of the outcomes. So if I'm very aware that I'm killing someone, and if I do it consistently and well, I have a good habit, because it increases my awareness? I'm feeling you're divorcing it from the outcomes.

That's because there's this assumption both in Adam Smith and in me that awareness does not like to see bad effects. True awareness does not like to see disharmony. True awareness does not like to see the reduction of life. True awareness does not like to see non-mutuality. It does not like to see force. There's many many things that true awareness is in fact allergic to, which are all the bad effects that you would come up with as you talked. That is my experience. This

impartial awareness is not impartial in that "anything goes". It's impartial in that it sees what really goes. And, that it doesn't like disharmony. But this is a very controversial idea that you must test for yourself.

The thing about being impartial is that it can also not like.

[Another member of the audience]. ***He's saying that there's a level of harmony that's consistent for everyone.***

It's consistent for everybody who's awake, everybody who has this inner observer that they have cultivated. So you see that mystics from all religions can speak to each other. They don't become enemies, they don't kill each other. The mystics don't kill each other, the ideologues do. There are people who work on upstream experiencing, rather than the ideology of it. They can speak across all of their differences of frames.

This is something that we have very little experience with. It means the Tibetan Dalai Lama is a better candidate for leader of the world then most other current temporal leaders. He's both a temporal and a spiritual leader, and he is a practitioner of downstream and upstream swimming; he is a practitioner of integrating the material and the spiritual. Dag Hammarskjold who was the first Secretary General of the U.N. was the only powerful one who had a tremendous effect on the world during the time he was Secretary General. He was a practitioner of both downstream and upstream swimming. He practiced day and night. People who are practicing, with this feeling of uncertainty, are better candidates to be public leaders.

What's the nature of evil? The devil is said to be a man of wealth and taste, and there is an aesthetic there possibly. You said that people can't go upstream. I'd like you to address that more.

Well, the central of the seven cardinal sins in Catholic theology, the fourth, is sloth. Sloth is the movement by inertia, the unwillingness to take action, the unwillingness to question ourselves. I think the nature of evil is that it is self-assured. It believes it has the answer, it is fully in charge, it is empowered by its answer. That I think is the essence of evil, and therefore that it's slothful, that it is non-questioning.

I don't know how many of you picked up Iris Murdoch's comment in her recent book *Metaphysics as a Guide to Morals*. I'd like to end with this. This struck me as saying in different words the message about this kind of upstream work that I am feeling, which is that it is potentially a continuous work. Any answer that you get that says "Now you've got the answer, now there's just the problem of implementing it" is not about what I'm talking about. This is a continuing activity because, as Dame Murdoch says,

> ***The moral life is not intermittent or specialized, it is not a peculiar seperate area of our existence.... We are always deploying and directing our energy, refining or blunting it, purifying or corrupting it... 'But you are saying that every single second has a moral tag?' 'Yes, roughly.' We live in the present, this strange, familiar yet mysterious continuum, which is so difficult to describe. This is what is nearest, and it matters what kind of a place it is. (p. 495)***

That, 'yes, roughly' is wonderful. There's this kind of intensity in the question around "every single second." It suggests observing myself in some very tense way. So she relaxes away from that, 'yes, roughly.'

So there's a tremendous sense in here that this work upstream is first and foremost related to creating a more illuminated present for oneself. Or maybe it can reach a point where it expand beyond oneself and invites others to create a more illuminated presence together.

Thank you very much for coming tonight.

[Applause]

FIFTH LECTURE

AN ALTERNATIVE VISION OF EXCELLENCE

Athens 450 B.C.

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Can you imagine what Plato could possibly mean by the following statement?

> ***No one would know how to become virtuous without arithmetic.***
> **(Theon, 5)**

The statement sounds outright ridiculous to us, doesn't it? What two human concerns have less to do with each other than ethics and mathematics? Isn't ethics the essence of the qualitative, the subjective, and the artistic, whereas arithmetic is the essence of the quantitative, the objective, and the scientific?

Besides, what do either arithmetic or ethics have to do with the topic of these lectures, of which this is the fifth and final one? What do either arithmetic or ethics have to do with "Sources of Excellence"?

By way of answering this question, recall, please, the overall direction of these lectures. We have been traveling backwards through time, from the past thirty years of increasing decadence in the United States, to the previous thirty years of historically unparalleled economic growth, to the previous half century of entrepreneurial and corporate development, to the time of Adam Smith, and tonight we reach back to the Athens of Plato and of Pericles, of Socrates, and of Socrates' teachers, Diotema and Pythagoras. In each lecture and discussion, we have been seeking to glimpse the assumptions that, like parentheses, enclosed that period. Overall, I have been arguing that close looks at the development of Adam Smith's moral philosophy, Andrew Carnegie's career, Sears & Roebuck's history, and the

American economy as a whole in the 1940s and 50s show that an upstream swimming process of questioning assumptions and repeatedly reframing the game we are playing is key to excellence. At the same time, I have been arguing that modern science in general and market economic theory in particular - based on taken-for-granted axioms that are not tested and reframed as a regular part of research - obscure both the possibility and the significance of the very activity that I am calling, metaphorically, upstream swimming, and, more particularly, the possibility and the significance of integrating upstream and downstream leadership, such that our actions come to lead both us and our circles of friends and work associates toward greater integrity and toward greater efficacy, simultaneously.

I have two exercises tonight, for practicing this integrating of upstream and downstream leadership. Let's try the first exercise now, each participating as he or she wishes. The first exercise is to clap; but not to begin clapping until you're ready—you are ready, each person separately. Do not clap in anybody else's rhythm that's already established; try to find your own rhythm first. And that would include being able to hear yourself clearly—getting the right tone, so that it feels right—and feel that your body is in the clap in a way that feels comfortable to you so you can explore how much of your body goes into the clap as you go.

Now of course you are listening to other people, and you are welcome as you establish your own rhythm to voluntarily join bits of rhythm here and there, if indeed there is any. This could be pure cacophony!

[clapping commences and continues for a time...]

I think it's a good analogy for the sort of work that's involved in learning arithmetic and virtue. This kind of listening, both inward and outward, and listening to these sounds and intervals that have no verbal sense to them at all and perhaps no musical or mathematical rhythm and coherence either. Was your attention increasingly sharp, inclusive, and unified or increasingly fragmented during the clapping? Were you personally and were we collectively moving in the direction of at-one-ment? Were we, as a group, one or many during the clapping?

In my first lecture, I argued that great leadership creates an enduring, inquiring, just union or unit, such as a good soul, a good marriage, a good corporation, a good city, or a good time. Great leadership helps us to become 'one.' 'One' - the number we today take most for granted - is, thus, a most mysterious quality in reality. How to become 'One' can be (and ought to be) a continuing study for each of us.

Theon of Smyrna understood Plato's notion of 'One' as follows:

> Unity... is indivisible... immutable and never departs from its own nature through multiplication (1x1=1). All that is

> intelligible and cannot be engendered exists in it: the nature of ideas, God himself, the soul, the beautiful and the good, and every intelligible essence, such as... justice itself, for we conceive of each of these things as being one and as existing in itself. (*Theon*, p. xi)

Let me not pretend that I fully understand what these words of Theon mean. I assume you do not either. For example, the word "engendered" is interesting. From what early Greek word, I wonder, has it been translated? And why is the engendered contrasted so sharply from the intelligible?

Do we conceive of justice as one?

Are we ourselves each truly an unique "one?" Despite the at-least-occasional contradictions between our highest ideals (e.g. to act lovingly towards whom we claim to love) and our actual effects?

These are some of the questions that Theon's statement engenders in me as I seek to discover its intelligibility.

In any event, for the Greeks, the unique, archetypal quality of "one" and of every other number (the way that number is itself uniquely 'one' and uniquely relates to other numbers) was a fundamentally more important attribute of number than the fact that it can measure magnitudes and thus be used to count things.

For example, take the number "three." Our experience happens, in the simplest sense that is available even to young children, in 'Three's. Every story has a beginning (1), a middle (2), and an end (3). Frequently, there is a pause, a confusion, an intervention, a reframing that helps a story transform from beginning to middle and again from middle to end. Each part of the story has its own characteristic flavor and relation to the other parts; one well known way of characterizing these flavors and relations is as "thesis," "antithesis," and "synthesis." Often, people disagree in everyday experience in 'counting' this most basic of beats. I have not even warmed to the topic of this lecture - have not even reached the beginning of the middle - let us say, when for you a sense of completion is already past. Inquiring (both within oneself and, potentially, in public) on any given occasion in order to clarify what time it is in the development of that occasion increases one's awareness of potential and competing interpretations about what is occurring and increases one's ability to judge what moments to act and how - what notes to play in the trialectic of the overall action. Is it a beginning note? *Do, Re, or Mi?* Is it the pause between thirds, where upstream, reframing action may help? Is it a middle note? *Fa, Sol, or La?* Or is it a chord of completion? *Si/Do?*

To offer another example of the unique quality of one of the early numbers, the number 'Two' was central to the fourth lecture I offered. You may recall that I argued that Adam Smith was on the right track in speaking of a "man within the breast" (obviously, we today would prefer "wo/man within the breast"). But, I continued, he thoroughly obscured the personal work of upstream swimming

necessary for us to experience ourselves more or less continually as though an alien were looking through our awareness at our thoughts, feelings, actions, and effects as we experience them. This work of detaching ourselves from ourselves - of dividing ourselves in 'Two,' as we act, in order to become a more aware, more congruent, more harmonious 'One' - is the first step in an experiential, ethical arithmetic. This is the sort of two-way listening you may have practiced during our clapping. We must become 'Two' in order to become 'One' - in order to develop 'Integrity'. So, here we see one reason why Plato claimed that one could not know how to be virtuous without arithmetic: to become increasingly virtuous is the same thing as to develop greater integrity, which is the same thing as to become at-One. How to become 'One' is a key dilemma in mathematics, in ethics, and in politics.

How does 2 become 1 arithmetically? How does any number become 1 arithmetically? (PAUSE for response from audience...)

It's divided by itself.

It's raised to the zero power, or divided by itself. Divided by itself is the angle I've been pursuing now, in terms of self-division. To be raised to the zero power is to swim upstream toward the origin.

What does this mean? It means that in a marriage, for example, when two persons truly subordinate their separate selves to a single relationship, they subordinate themselves not to one another's preferences or demands, but to a single enduring relationship which has nothing specifically to do with either of their preferences. In such a case - and I would propose to you that this has always been an empirically rare case - they have been raised to the 0 power.

But this leaves open the question of how one so rises - of how one rises to 'Zero' - of how 'Two' becomes 'One' - of how two persons equilibrate themselves, each truly equaling 'One,' and each 'One' truly equal to the other 'One' (we forget that one symbol for 'Two' is, precisely, the mysterious equal sign, =).

An answer worthy of wonder to these different ways of posing the equivalent question is (=): "Each separate 'One' rises to 'Zero', and the 'Two' together rise toward 'One' - toward a truly single relationship - when they both swim upstream seeking a source, an origin - 0."

What I am doing in these passages is to blend what might be called a qualitative definition of each of three particular numbers - 0, 1, and 2 - with their quantitative operation.

Now, the number 'Zero' is, if anything, even more mysterious than the numbers 'One' and 'Two.' The ancients did not make the concept of 0 public because it becomes dangerous if used by persons unacquainted with the preeminent ethical obligations of dividing oneself into two again and again in order to become one by seeking the origin at the same time as one acts in the world with particular effects.

To seek the origin - to seek the source of life, intelligence, consciousness, and excellence - even as we act is to participate in the 'Mysteries' - to observe God - to become *ek-static* (Gr. to stand outside oneself) - and this is what the Greek word for theory - *theoria* - refers to. Such a search for the origin is not a process of reasoning alone, but one of acting and feeling as well - a search for an attention which reaches simultaneously out toward nature and in toward the highest reason and beyond.[1]

The fears of the ancients about the dangers of making the concept of 'Zero' public, undisciplined by an upstream search for a true origin, have been shown to be fully justified. When 'Zero' became public through Arab scholars to European intellectuals in the late middle ages, Descartes empowered a modern secular science unanchored in the sacred by developing a geometry based on arbitrary points of origin for his X and Y axes.

Fermat and the other progenitors of the calculus continued the illicit use of an arbitrary 0 in developing their equation for the derivative. Let us examine how, at its origin (!), the calculus is fraudulent. Let us follow Fermat's procedure in developing the equation for determining a derivative - the equation for determining the velocity of a falling ball at a particular point in time:

Consider the velocity of a ball, as it continues to accelerate, at the fourth second of its fall:

$$\text{distance} = 16\,(\text{time})^2$$
$$d = 16\,(4)^2$$
$$d = 256$$

Now, let h be any increment of time, and k be the incremental distance that the ball falls during that time:

$$256 + k = 16\,(4 + h)^2$$
$$256 + k = 16\,(16 + 8h + h^2)$$
$$k = 128h + h^2$$

The average velocity in h seconds will be:

$$k/h = 128h + h^2 = 128 + h$$

[1] The twentieth century work of mathematician David Hilbert, in attempting to originate mathematical reasoning in a symbol system that is internally completely consistent, but that refers to nothing outside itself whatsoever, not even numbers themselves, is directly contrary to the Pythagorean kind of mathematics being described here.

> Now comes the illicit trick. Fermat now lets $h = 0$ on the right side of the equation (because the aim has been to establish the velocity at the fourth second of fall, not any later; thus, the 'increment of time' is 0), and the resulting 'derivative' is (128+0) or 128.

This move is logically and mathematically doubly illegitimate in that you cannot substitute the number 0 for h late in the calculation and on only one side of the equation. Substituting 0 in for h from the outset of the computation would render the computation meaningless, however, since both sides of the equation are divided by 0, and dividing by 0 is meaningless.

Fermat never justified this move, and because it 'works' powerfully in a downstream sense, it was adopted.[2] The result of such science, several centuries later, is another invention that 'works' powerfully in a downstream sense and not only obscures, but mechanically destroys, the upstream work of seeking the true 0 or origin. This invention is called the atom bomb.

Life as School; Arithmetic as Qualitative, Action-Oriented Discipline

As headmaster of the University of Chicago's Laboratory School and as philosopher, John Dewey taught that life is best treated as a school. James Wilson, one of the most learned of America's Founding Fathers and later a Justice of the Supreme Court, argued that the state is best treated, first, as a school for the improvement of the human mind, and only second as a legal contract protecting individual rights and property. That insatiably active inquirer, Leonardo da Vinci, redrew the world to human scale, seeing the natural world as school and the human mind, heart, and body in harmonious action as student, as "measure of all things."

These men of different ages, and even that conservative young man, George Will, a political columnist and commentator of late twentieth century America, in his *Statecraft as Soulcraft,* all reflect that short generation when Pericles and Socrates and so many others made Athens "the school of Hellas" (in Pericles' words in his Funeral Oration). For a short time, the city of Athens as a whole became a public school for adults that wove together athletics, drama, politics, and mathematics in a public conversation that challenged each participant to alternate artistically among the roles of audience, performer, and seeker, as all together struggled to make a unit of soul and city. Never before or since have philosophical questions so directly jostled with public conduct in the gymnasium, the theater, the streets, and the courts as they did whenever Socrates appeared.

Socrates has been called a gadfly who stung the conscience of his contempo-

[2] Later efforts to secure the foundations of the calculus and of all mathematics that uses infinitesimals have also failed. See footnote 1 above and Morris Kline's *Mathematics: The Loss of Certainty* [Oxford, 1980] for further detail.

raries. Through the millennia the human race has not developed much tolerance for his like, and commonly kills the gadfly off, whether he be Socrates, or Jesus, or Shams of Tabriz, or Thomas More, or Gandhi, or Martin Luther King.

We have yet to appreciate widely or deeply what is the value in questioning the central assumptions of any activity as it progresses. Modern academic inquiry is viewed as properly separated from passionate activity, as I suggested in my third lecture, and as more reliable, valid, and objective as its separation from action is the more thorough. Conversely, we tend to imagine that questioning inhibits action rather than improving it. We tend to imagine that there is a trade-off between ethics and pragmatics.

The Socratic and Periclean understanding was just the reverse: that ethical virtue and action excellence are synonymous. In fact, the Greek word *arete* means at once "excellence" and "virtue."

According to this perspective, all human activities and the external rewards associated with them are historically-created structures. One may first learn something about how to perform these activities by rote repetition, motivated by purely instrumental, external rewards, as in the case of a child induced to practice writing each day for half an hour in return for a "junk food" treat. So long as one's motivation for performing the activity is merely external, there is of course temptation to cheat, so that one can maximize one's reward while minimizing one's effort. But if one cheats, one reduces one's actual practice in performing the activity and is thus less likely to learn how to perform it well, let alone with the excellence that comes from performing beyond one's normal limits because of one's commitment to the activity itself. Cheating is also, obviously, unethical. Hence, we can begin to see that certain kinds of behavior lead away from both excellence and virtue simultaneously.

On the other hand, early exposure to an activity may introduce us to the many potential intrinsic pleasures of performing it well. In the case of writing, the child may come to feel pleasure in mastering the sheer shapes of letters, pleasure next in a whole new range of communication with one's grandmother from whom one's brief missives evoke satisfyingly long and droll epistles in response; pleasure still later in discovering what one believes and feels as one writes; and, perhaps eventually, the high pleasure of introducing others to the sacred, conscious dimension of active meaning-making.

These rewards are intrinsic to the performance of the activity itself, in this case the activity of writing. Experiencing these intrinsic rewards, one is increasingly motivated to practice, to confront one's own and others' limits courageously (if they inhibit excellence), to be loyal to the demands and limits of the structure of the activity (since they define what excellence is), and to inquire into the history and underlying assumptions of the activity (in order to appreciate the source of its value and in order to amend its structure if it appears internally inconsistent, incongruent with its original purpose, or no longer capable of nurturing future

excellence). Hence, certain kinds of behavior lead toward both excellence and virtue simultaneously.

According to the Greek perspective on development, a person potentially develops through the three very general stages of increasing freedom and responsibility that I have just described. Let me reiterate the outline of these three stages. In the first stage, the person is motivated to act by external, visible rewards. Both the authority enjoining the activity and the structure of the activity itself are experienced as purely arbitrary. In the second stage of development, the sense of competence that accompanies mastery of the relationships within some predefined "game" or activity is what motivates activity, and the actor appreciates the logic of the structure of the activity.

In the third stage, the person is motivated to act by the challenge of inquiring into, and thus experiencing the source value of the activity itself; by the challenge of purifying, properly exercising, and protecting the structure of the activity, and by the challenge of encouraging others to enter the process of transformation through the three stages. It is only persons and institutions that are engaged at this third level of development that seek the sources of excellence and congruently enact them. Only persons engaged at this third level of development integrate upstream inquiry and downstream performance in the way that I am arguing is characteristic of truly great leadership, such as that of Abraham Lincoln throughout the Civil War.

So does a person craft a soul - a "spectator within the breast," to use one of Adam Smith's phrases. So does a people craft what the Greeks called a "polis" - a city, a polity. So does a company truly committed to excellence in its field craft a lasting ethos.

So may the activity of management evolve from a money-making skill at the first level of development, through mastery of a complex of technical languages characteristic of the contemporary MBA and of the second level of development, to a third stage of development when it becomes a true profession - a profession as much concerned with upstream inquiries as with downstream performance, as much concerned with the spiritual as with the material, as much concerned with mission as with profit.

So may "scientific" knowledge evolve from the unsystematic collection of "useful" facts, through the systematic theories and methodologies of today's reflective sciences, to a fully experiential, action science—a science to be practiced in the midst of action, the science that Socrates and Pericles, in their dedication to Athens' purpose as a school, studied in the street, at war, and in the Assembly.

This action inquiry or action science—that Socrates and Pericles, and Pythagoras before them practiced, and that present-day citizens attracted by this ancient conception of development must rediscover for themselves—is profoundly different from our contemporary, reflective, natural and social sciences. Contemporary, reflective sciences attempt to generate purely *cognitive maps* that

correlate with data about the *outside world,* as though from the perspective of an omniscient, disembodied observer (in other words, as *though from no perspective*). Then these reflective sciences generate a disembodied technology. By contrast to the aim of generating a cognitive map, action science attempts to generate a *four-fold awareness* (0, 1, 2, 3; 0/source/mission, 1/self/structure, 2/performance/operations, 3/interaction/outcomes) within living persons. By contrast to seeking a correlation between map and data in the outside world, action science collects *data about all four qualities of experience* and searches for significant *analogies or incongruities* (e.g. are a company's structure, operations, and outcomes consistent with its mission?). By contrast to seeking or assuming an anonymous, universalizable perspective, action inquiry is conducted from the perspective of the relevant actor(s), but does not assume that this perspective is in any sense 'right.' Instead, *the effort is to reframe one's perspective,* to widen and deepen one's awareness through disciplines of upstream swimming. By contrast to the creation of disembodied theory and technology by reflective science, action science, in the words of Pythagoras, "leaves no traces."

The Kind of Mathematical Study that Generates Virtue and Excellence in Action

We can conclude this set of lectures by turning again to the profound difference in the role of mathematics in contemporary science by contrast to its original Pythagorean source. We usually think of Pythagoras as a genius who virtually invented mathematics but who is hardly worth contemporary attention because mathematics has been progressing for two and a half millennia since his time. Moreover, he apparently went a bit overboard in his enthusiasm, believing in some kind of "number mysticism" according to which sound (the musical octave) and sight (the color spectrum), indeed the entire universe, is generated from the interaction of numbers.

However strange this notion may initially seem to the contemporary listener, I will argue that, when properly understood, it in fact represents a more advanced approach to mathematics than that of modern reflective science. Let us explore how this is so, using the Greek three-stage model of development to help us.

In contemporary science, mathematics is used most often in its developmentally most externalized and primitive form, namely as a series of magnitudes to be used for counting and comparing empirical quantities as these appear in space and time. This use corresponds to the first stage of development in the Greek model.

Far fewer contemporary scientists work with mathematics in its logical, structural, or eternal form, although the ability to express theoretical relationships in mathematical form is acknowledged as the ultimate aim of modern science. Today, mathematicians inventing new algebra and geometry in the field of topology (the study of the essential nature of shapes or structures, or "manifolds" in mathematical language) represent a leading edge of the theoretical sciences, and this activity corresponds to the second stage of development in the Greek conception.

The third stage of mathematical inquiry commences when one asks what-are-today-unfamiliar questions, "What is the unique quality of each number?" or "What does a given number like one or two or three mean?" or "In what way is my own first-hand experience mathematical?" or "What can numbers tell me about how to act from moment to moment?"

Table 6

zero	noumenal	origin	point	do	initiation	un-conscious		kairos (6-D)
one	nominal	unity	line	re	completion	conscious		eternity (5-D)
two	ordinal	duality	plane	mi	detaching/ suffering	un-known	self-experiencing	time (4-D)
three	interval	dialectic	solid	ma*	acting/ committing	known	outside world	space (3-D)

**** ma is the Japanese word for creative pause, or interval***

As Table 6 suggests, the Greeks at the time of Pythagoras, Socrates, and Plato linked the very identity of each primary number to qualitatively different phenomena. Thus, 'Zero' represents a point, 'One' a (one-dimensional) line, 'Two' a plane, 'Three' a solid. As we know, the fourth dimension is durational time. What is the fifth dimension, the dimension orthogonal or perpendicular to durational time at any given moment - the dimension where, however crossed it may be by memories of the past or foretastes of the future, it is always the present? Most of us have only a few tastes of such a fifth dimension, such as a moment in early spring, outside again, reveling in the rediscovered warmth of the sun, smelling a rose, the smell opening into past memories and future hopes, the smell flavoring one's in-breathing and out-breathing, bringing one's awareness and breath into continuous contact for an in-retrospect brief, yet at-present eternal, fragment of time. Such tastes of the fifth dimension can open toward greater and greater appreciation for the experience of the 'Eternal Now,' as persons who have cultivated a taste for the fifth dimension name it and demonstrate it through music, color, poetry, or dance.

If you are dubious about, or feel disconnected from, this evocation of the fifth dimension, how may we question together - I and Thou - the number 'Six'? Can we even distantly imagine, let alone experience in action, a sixth dimension? Let us begin with the most dramatic quality of 'Six' to the ancient Greeks - a quality that is almost certainly meaningless to most of you, as it was to me when I first encountered the concept long, long after I had graduated through every level of formal education that today's educational institutions offer. The ancient Greeks (well, actually, only a very, very few of them) instantly recognized the wide ramifi-

cations of the fact (in the sense of a fifth dimensional eternal, archetypal fact) that 'Six' is a perfect number.

To the ancient Greeks, a perfect number is a number whose divisors add up to itself. A perfectly self-contained unit. 'Six' can be divided by 'Three,' 'Two,' and 'One,' which, we can all easily see, add up to 'Six.' It is hardly coincidental that the Greek pantheon consisted of six male and six female deities - a 'perfect' man and a 'perfect' woman.

Now, one line of questioning flowing from this probably-new insight about the meaning of a perfect number is "What numbers, other than 'Six' are perfect numbers?" We can quickly compute that 'Seven' (along with every other prime) is divisible only by 'One' (of course, 'One' itself is perfect, being divisible by 'One' which adds to 'One,' never departing from 'One' by either self-division or self-multiplication or by being raised to any other power [...1^6=1...]). 'Twelve' is, by contrast, an 'excessive' number, being composed of 6+4+3+2+1=16.

If we proceed in this fashion, counting, number by number, the number of divisors and adding them, we determine in not really too long a time (though considerably longer than most of us would bother to concentrate on this task) that 28 is the next perfect number (28=14+7+4+2+1). Our journey to the next perfect number, taking this counting/durational/magnitudinal/fourth dimensional approach would be long and tedious indeed, for it turns out that there is but a single perfect number (other than 'One') in the single digits, in the tens, in the hundreds, etc. Our journey to the next perfect number could be instantaneous, however, if we were to take a fifth-dimensional route; that is, if we were to find the eternal mathematical structure that generates all perfect numbers.

The procedure for generating perfect numbers is as follows: given a series of doubled numbers (1, 2, 4, 8, 16...), add the numbers till they result in a prime (e.g. 1+2=3 or 1+2+4=7), then multiply that result by the previous number in the series (e.g. 2x3=6 or 4x7=28), and the result will be a perfect number. Thus, perfect numbers require an even balance between an idiosyncratic prime and a composite even number. One can interpret this to mean that six-dimensional awareness requires a taste for the uniqueness of one's own nature (one's prime-likeness) as well as a taste for the evenness of one's nature that is shared across many natures. Carrying this way of thinking further, we can say that number itself represents the 'even,' 'shared' element of all human natures. Rational numbers, as such, including primes, belong to the Eternal Now of the fifth dimension. Is six-dimensional awareness, then, an awareness of a source that is in some sense beyond reason?

Asking this question brings us to another aspect of the mathematics of Pythagoras and Plato. From efforts to calculate the relationships among the six notes of the musical scale in between the two 'Do's an octave apart from one another (the higher 'Do' generated by plucking a string exactly one half the length of the string plucked to achieve the lower 'Do'), the ancient Greeks were very much aware that the notes are not evenly spaced from one another. Through these

efforts, they became aware that irrationals exist, that computations sometimes point to fractions that never resolve into a determinate, hence rational, number. In introducing the mathematics of Theon of Smyrna, Robert Lawlor tells us what implication the Pythagoreans found in this fact:

> Irrationals to the Pythagoreans came to represent the existence of an immeasurable, supra-rational world which could be approached through heightened intellectual experiences above those of the rational mind, a boundary beyond which external knowledge has no place. The presence of the irrational in both geometric form (e.g. the square root of two) and in musical sub-structure (no seven proportionally equidistant notes perfectly double the octave) provided the indication to the ancient scientist of the necessity to move in higher and deeper levels of intelligence. (Theon, xii [second parenthetical from The Pythagorean Plato, 37])

In other words, irrationals do not exist in the 4-dimensional/magnitudinal mathematics of counting, nor in the 5-dimensional/structural mathematics of determinable qualities with determinable relations to one another. Irrationals (along with infinitesimal and infinities) point toward a 6-dimensional region of 'all possibilities' accessible only by seeking the transrational source of experience (Poincare: "Actual infinity does not exist. What we call infinity is ... the endless possibility of creating new objects..."). The deities, like Zeus throwing his lightning, intervene from the supra-rational irrational, just as great upstream-swimming leaders may. In seeking the sources of excellence in action, one may explore beyond the fifth-dimensional, structural relationships, such as beginnings, middles, and ends, to discover those moments in between rational categories when intervention can transform the situation. As with the loss of imaginative understanding of the 'Zero' and the other numbers, so moderns have also lost an imaginative understanding of the consciousness challenge posed by irrationals, infinitesimals, and infinities. Instead, they treat them as though they are numbers and use them for calculations.

Let's try a second exercise now. This second exersice invites us to seek to experience all six, qualitatively different dimensions: Gravity, Levity, Extensity, Duration, Eternity, and Possibility/Timeliness. Of course, we should not expect instant or total success. Trying this exercise regularly would be an example of cultivating a good habit, as we discussed at the last lecture.

The idea is to take a stance that is very comfortable for you, feet about shoulder width apart, and hang your arms out to either side so that the wrists are at shoulder height. You want first of all to become aware of the dimension of gravity, which is going down to your feet. You're trying to align yourself over a sense of your

weight falling. And you just allow that sense of gravity to direct you in finding your posture now. You're not thinking about thrusting your arms out at all, it's this downward gravity that you're focusing on.

The second dimension is Levity. That's the energy coming up vertically. Can you feel some energy rising into your shoulders and neck. Now you have to be careful not to get the shoulders too tense here. You should not be holding with your shoulders—your wrists should be holding themselves out, your elbows should be holding themselves out, and you should feel that they're branches coming out of the center of gravity. You may need to shift somewhat, your torso may be stiff; you may need to because you're probably holding your muscles a little stiff. Now let them relax, and feel some energy coming up. And you can feel it coming up through your eyes. This is the easiest way to feel it really. If you relax your head, you begin to feel energy come out your eyes. Just let your eyes go unfocused, and it starts coming out. So that's a little bit of a taste of this second dimension of levity.

The third dimension is extensity, the feeling of being in three-dimensional space. What little attention we're giving to your arms will remind us of that. But we're still trying to stay in touch with gravity and levity, at the same time as what our arms are reminding us of in terms of extensity.

The fourth dimension is the dimension of duration, endurance. We try to really feel how time feels, here. We have an unusual opportunity to feel time in a fairly continuous way here. How does it actually feel, especially if we maintain the sense of gravity, and the levity, so we're breathing through to keep all of these alive at the same time. So that we have gravity, levity, extensity, and what is this feeling of being in touch with all of that on a continuing basis. Where does it live inside you? I think somewhere in the heart region, the soul region. So we begin to be aware of our souls a little bit, which according to my understanding is created through this kind of work. So the more you do it the more you have. There are other kinds of work that help develop soul, too.

And then, if you do wish to let the arms down, let them down very slowly, so you keep feeling them, and you don't lose the sense they're giving you of extensity; that you keep feeling inside your body after you've fully let them down. Because you can keep feeling them in your body, but it's easy to forget once you put them down.

The fifth dimension is eternity. The second dimension of time; and that's the dimension of number, as we said. If you can feel yourself inscribed on a circle now, if you can feel a circle around you—under your feet, at the tips of your hands, over your head—so you feel yourself as energy inside the circle, you begin to have the experience of eternity. This is an eternal posture. It's seen in every major religion. The Jesuits imagine themselves on the cross. It's possible to go beyond imagining it to actually experiencing it, what that is, in a very direct way.

Then, the sixth dimension is the dimension of the irrational, which among other

things is what makes me change direction, almost always. I almost never change direction rationally. I'm rational within a direction—when I'm at work I'm rational in the way work is, and when I'm at home I'm rational with how the family is—but I'm almost never rational within the transition. It happens by habit, or just by chance, but almost never by conscious choice. So in your stopping of this exercise you have a chance to see what's moving you to stop it.

It is truly frightening to begin to appreciate how much closer the Athenians were, two and a half millennia ago, to nurturing the highest stage of development in one another—this continual search towards the sources of awareness, harmony, excellence—than we are today. For a brief moment in history their citizens enacted an economics properly subordinated to a politics properly in the service of an action science that aimed simultaneously at both outward excellence and inner integrity. For a brief moment in history their citizens enacted a public school, the incomplete and distorted memory of which has nevertheless continued to educate us during the subsequent millennia.

Even more frightening is how brief and incomplete the Athenian moment itself was: neither women nor slaves were even eligible for citizenship; and after Pericles' death, Athenian leadership during the Peloponnesian War rapidly slithered from temperance to a bellicosity and inconstancy reminiscent of the present day. No one whose utopian vision of America's business concentrates on early victory and a secure aftermath will find any pleasure in contemplating the Athenian conception of development.

But if anyone yearns for a model of development that simultaneously celebrates ethical excellence in action and leadership dedicated to a continuing, upstream-swimming, consciousness-and-action-transforming inquiry, let her study the very source of our Western mathematical-political tradition (and, with others, the very source of her own experiencing).

QUESTIONS AND ANSWERS:
Sources of Excellence V: Alternative Visions of Development

Is your notion that you walk through this, [the four-fold qualities suggested by Table 6] like ascending a stairway? Do you disregard one as you move to another? Or are you accumulating them as you go so that by the time you get to 3 you're embodying all the ones before?

Yes, like that.

Ah-ha. Thank you. [laughter]

The second way, the way that you preferred it, I think. It's inclusive, if it's happening that way.

Is level zero the sacred science?

Well, the movement of attempting to divide oneself in two in order to seek oneness by looking upstream toward the source, the origin, the zero—any path that is about that, and paths don't always use numbers to say what they're about—that's the sacred science. Yes, that's the path. There's only one real science; there's lot's of mini-theories and versions of it.

But are you saying, "A science is sacred if it withholds its knowledge in the service of achieving its ends"?

Well, it withholds its knowledge from all but those who are prepared to receive it in an active state. Because if it gives knowledge to people who take it in a passive state, then it's not going to be understood properly, and it's going to be passed around and it's going to become fraudulent.

Oh. I see. I think I see.

This is not easy stuff, and it sounds strange. I realize as I'm saying these sentences, this is the very reverse of the notion of science we have. We have a science of public knowledge, a science that says it's wrong to keep it private. And this Pythagorean science goes the other way around. It's not that it's unwilling to share with anybody—it's willing to share with anybody—but it's only willing, because only able, when they're in an active state of seeking. So they can't have been brought in by a conversion process, because if they were brought in by a conversion process, you don't know whether they're just glomming on, whether they're just a 'groupie'. So you make the organization hard to find, you mask the organization a little bit so that people have to search—

"A little bit." There seems to be a crack in your armor. 'A little bit' might be the logical equivalent to 'a little bit of proselytizing.'

Yeah, it might be. I may be proselytizing right now. And that's the question, "Am I proselytizing?" Some people would say, "Yes I am."

The assumption seems to be that the consequences of that proselytizing are not good for the science. That's the implicit assumption that I'm having difficulty with.

Let me respond to that, and then let's create a space that includes other people besides us; I'm enjoying it but I think it's excluding the rest of the audience.

I don't want to speak about this sacred science until I am in a position where I am not betraying it by the very speaking of it, because of my own lack of understanding. And it's very hard to know when I've reached that point, when anybody's reached that point. When Gurdjieff, who was a well-known rascal mystic in the early 20th century, was wandering around, he attracted this Russian philosopher-mathematician Ouspensky, who later became the person who wrote

the most about him and became a student who represented him in England and America, although they had a split of some kind. In any event, when Ouspensky asked him, "Can I write about what we talk about together?" Gurdjeif said, "Oh, absolutely, there's no rule against writing about it. Just as long as you understand it." And that gave Ouspensky a ten-year hiccough while he tried to figure out whether he understood it. It may have been too short a hiccough. Ten years isn't very long to learn this stuff.

But he gave that advice. Did he hold the same advice for himself? That is he couldn't talk about it until he understood it. Of course, talking is a different form; but did he hold to the same rule that he expected others to hold? In other words, did he maintain that he understood it?

Well, he was a slippery character. He maintained that he was the representative of the devil. [laughter]

Do you have anything to say about the impact of scale? When you talk about the Greeks they were a much smaller, pristine society. And it seems to me that as you're speaking you're pointing to a leap from the ancient world to modernity. I think it's a complicated leap, but one of the pieces of it is scale. We're speaking about number, and what do you think about the issue of scale in relationship to the search for excellence?

Well, I'm sure I can't do justice to the question. That's really worth pondering I think. I think that the sense of scale in modernity—namely huge scale, large scale—is one that modernity generates by its focus so tremendously on the outside, and on numbers and on 'more'—Gross National Product, so aptly named. There's no sense of containment.

Now this concern with finding the right size, rather than thinking that more or bigger is better—it's not that small is necessarily beautiful; different sizes can be beautiful, if they're appropriate—but how to get that sense of appropriateness. There's no feeling that there is a science about that, about finding the container.

The problem is to find what unifies and unites in a way that endures for a time. We haven't searched for that very well. We have a notion of tribe, and now we have a notion of nation. As we can see today, even with five centuries of working on it, 'nation' has been an artificial notion that took hold very variantly for periods of time in different countries, frequently quite destructively. Often nationalism has been the most pleasant where it's been the least effective, like the Italians, for example. And where people are most insecure about national unity, like the Germans, it's been the most ugly. So nationalism has been a very strange form, and this notion of sovereignty as a way to achieve unity—I don't think its going to work any longer. Finding what the right scale of containments are—we seem to be totally at sea about that today.

Even the family has totally lost definition. We have no sense of what the proper

container is. Organizations think getting bigger is getting better, and of course it often isn't. But it isn't always worse.

So this question about scale. I think when you see each number as referring to a different dimension or a different power, you begin to get a feeling that each time you add, like a person in a group—when you go from five to six in a group—you're not just adding one person. When you think of all the interrelationships you're making the group much much bigger. People don't think about it that way, so it's easy for them to think you can handle any number. But if you're really concerned with the relationships among the numbers, and not just interested in mass—a mass of abstract individuals, but you're interested in real people with real relationships—you want to keep it small.

But it's a very difficult problem, "What's the right size?" How can you increase the size without losing the cohesion of the unit? All of the early part of Plato's *Republic* is about what the appropriate foreign policy should be for Athens and how it shouldn't become an empire, because it will stretch itself out wider than its school-ing can extend itself. You remember that in the very first lecture I gave that idea of schooling as the last virtue of good leadership, that you create a space/time that is a school. It's hard to know how large that can be in what different contexts, but that would be one question to ask yourself in terms of "Is this the right size?" "Can this be a school here?" "Can the family working this way be a school still?" If it can be, then in my view, whether or not the parents are divorced, it is a growth-inducing family. If it can't be, then, whether or not the parents are married, it is not a growth-inducing family.

I think a lot of what you're saying is very valuable. My concern is just for education over all. It seems there's so much focus on just the rational in education, and it seems that more and more, the MBA program and other professional programs have kind of a cookie-cutter mentality. I wonder if you see that changing, and how that would change—-how the process as a whole could be changed?

Well, I think this is very hard to predict, because the direction in which I'm suggesting moving would be against the kind of technical direction that graduate management education has now moved to. So I'm suggesting some kind of movement in a different direction from that. Academic institutions are the most eternal, long-lived and conservative of this modern era, since the university comes closest in this era to guarding and revealing the eternal, living mysteries of mind and nature. So one might think that as long as they actually last, this upstream direction of education won't be taken very seriously, at least not at universities. But, it's very hard to say, because there are movements in this direction of seeing this boundary between 'dry knowledge' that is separate from action and 'wet knowledge' that is related to action and to the ethical make-up of the actor. The post-modern and multi-cultural notions that are now stirring controversy on campus

can, at their best, help academics to taste the boundary between the wet part of their lips and the dry part. But of course, in the university industry conversation usually goes right up over the lip level and beyond. The conversation rarely descends very much into the body of practice of different skills, nor in the direction of sacred contemplation, within the temple of the body, even though such forms of thought and conversation could perfectly well be a university function.

So, I really don't know how long it's going to take, and it may not come from the university. It may come from business organizations that want to become learning organizations, and for them—learning organizations—inquiry is extremely passionate and action oriented. So they're just not even going to talk to the academics about what a learning organization should be. They're going to try it out by experiment, and get fraudulent knowledge from wherever they can, and try to convert it into good action, and they'll struggle with it. They may get further along than people in the academy do.

The trouble with business organizations is that it's very hard for them to be patient enough to actually engage in inquiry, in any profound sense of the word. So that's their Achilles heel. And it's not clear how sincerely different business organizations will do that. I feel like that is changing very rapidly. Just this year I feel as though organizations are more and more thirsty for this kind of work. I hear of the Swiss/Swedish conglomerate ABB where senior managers practice Transcendental Meditation. I hear of England's senior management at Volvo listening to William Blake's understanding of four-fold vision. But these are just beginnings. I don't know if they will develop into something very important or not.

This kind of work that I'm talking about—of balancing wet, passionate, action-oriented knowledge with dry, dispassionate, analytically-bounded knowledge—has been almost always an underground work throughout recorded history. It always goes against the orthodoxy because it's always swimming upstream, questioning the premises of the orthodoxy. So it's very hard to sense where it's going to go, and how fast.

Almost by definition it shouldn't go anywhere—it can't—because if it becomes the orthodoxy, it will destroy itself. If this is to take hold here, in our MBA program, we can't become one of the top 20. It just seems very unlikely.

Yes, because it would be too far outside what's recognizable somehow as being significant or important.

But what if it worked? It seems like the assumption of the discussion is that it won't work.

No, no. But if it does, it won't be what it was.

Because if this work of balancing wet knowledge with dry knowledge—which

I've most recently tried to exhibit in my book, *The Power of Balance*, which is partly quantitative and theoretical in fairly dry ways and partly autobiographical and lyrical in fairly wet ways—if this sort of balancing between the wet and the dry becomes the orthodoxy, then people will imitate it, and what they imitate is the dry outside rather than the wet, inner work. So it's very hard for this work to reproduce itself and continue. And I think it dies out, and people who are quasi-charlatans come along all the time because there's no way of certifying this work. Because if you certified it, it would be an orthodoxy. So it's always on the charlatan's side, and you always are uncertain. Gurdjieff was a very controversial teacher of this balancing of dry knowledge and wet coming-to-know. He acted the role of quasi-charlatan. Now, was he acting it from the side of total charlatanism, or was he acting it from the side of true teacher-dom? Who knows? Different people had different opinions. And he kept it that ambiguous because he didn't want to become the priest of an orthodoxy. He didn't want "converts" rushing at him. He wanted people to feel very wary as they approached him, and to be in an alert state of mind, even as they came somewhat close.

So, that's the edge between the wet lip and the dry lip that I encourage you to be with as you leave here. Let's end the formal session now. Thank you very much for coming to all of these lectures.

[Applause.]

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About the Author

William R. Torbert holds a B.A. in politics and economics and a Ph.D. in administrative sciences from Yale University. He served for nine years as Graduate Dean of the Boston College School of Management and currently serves as Professor of Management. During his deanship, the school pioneered a new "action effectiveness" model of MBA education that gained national recognition for the school.

Dr. Torbert has founded and directed two organizations and has consulted to many others, including Bellcore, Citizens Energy, the City of Boston, Digital Equipment Corporation, Gillette, Odebrecht Construction (Brazil), Phillips Academy, and Pilgrim Health Care. He has served on the Boards of Directors for the Organizational Behavior Teaching Society, Svigals Associates (architecture), and Franklin Research and Development (investment advisors). He has also just completed two years of service on the National Commission for the Future of Graduate Management Education, which has published its findings as "Leadership for a Changing World."

In addition to numerous articles, he has authored five books: *Being for the Most Part Puppets: Interactions Among Men's Labor, Leisure and Politics* (1972), *Learning from Experience: Toward Consciousness* (1973), *Creating a Community of Inquiry: Conflict, Collaboration, Transformation* (1976), *Managing the Corporate Dream: Restructuring for Long-Term Success* (1987—recipient of the Alpha Sigma Nu national book award), and *The Power of Balance: Transforming Self, Society and Scientific Inquiry* (1991).

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