Magnanimity and Magnificence:

Entrepreneurial Responses to the Economic Crisis


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TRANSFORMINGBUSINESS

by Peter Heslam

The spirit of enterprise is embodied in the great deeds and attitudes of entrepreneurs. In an earlier issue of this journal, Peter Heslam called for the restoration of thrift as solution to the economic crisis. Here he argues for the re-discovery of the equally timeless yet forgotten virtues of magnanimity and magnificence. Entrepreneurs who display them can help restore our ailing economies.

Robert Peston, the BBC's Business Editor, has become almost synonymous with the financial crisis as millions around the world have seen or heard his daily updates. Once the purveyor of dry financial reports, he landed a scoop when he discovered that Northern Rock was seeking emergency help from the Bank of England. With characteristic intonation, he announced to an unsuspecting world that the UK economy was hurtling towards a precipice.

The scoop won him journalistic awards but also a reputation as a prophet of doom. In one newspaper cartoon, a man with eyes closed and hands over his ears tells his wife next to him on the sofa watching the BBC News: 'Let me know when Peston's gloom and doom show is over!'.

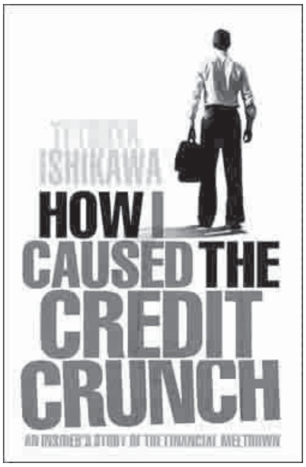
Since then, the situation has got well beyond the joke. Indeed, many of us have undergone 'capital punishment' as the crisis has dealt savage blows to our cash flows and bank balances.

But entrepreneurs are made for such a time as this. During the Great Depression, when declining patent applications reflected a widespread reluctance to invest in new technologies, the company DuPont continued to develop neoprene, a synthetic rubber. By 1939, just two years after the company launched it, every car and aeroplane manufactured in the US contained neoprene. DuPont's entrepreneurship ensured it reaped the benefits of the kind of future-mindedness and responsible risk-taking that lie at the heart of what in a previous article I call the virtue of thrift (Vol 12.1).

Yet in this crisis there are two other virtues that are as overlooked and as ripe for recovery as thrift: magnanimity and magnificence. Both can be found in the tradition of virtue ethics represented by such thinkers as Aristotle and Aquinas.

Magnanimity is about greatness of soul. It denotes nobility of character in the face of adversity; its chief opposing vice is timidity or faintheartedness. We are magnanimous when, for instance, we are gracious towards a colleague who becomes a rival by stealing our ideas and seeking the support of those prepared to invest in them.

The virtue of magnificence is about making and doing great things, not to frustrate our unscrupulous colleague-turned-rival, nor to win esteem, but because they are noble tasks that need to be done. An opposing vice is meanness or stinginess, which in the commercial sphere often involves the love of money and aversion to risk that thwart entrepreneurial venture. The first two servants in Jesus' Parable of the Talents exemplify magnificence by using their master's deposits to trade, whereas the third servant, by burying his deposit in the ground, resembles a miser who grasps hold of money as a form of security (Mt 25:14-30).



Examples of magnanimity and magnificence are also evident in business history, such as in the lives of George Cadbury and Jesse Boot, whose brands have weathered a century of economic ups and downs and outlive a growing list of former household names. But contemporary examples can be found amongst those who have recently been made redundant by the big banks. Some of them are founding small entrepreneurial finance institutions based on more relational models of investment.

Others are finding entirely new vocations that draw on their experience. One of them is the bright young Eton- and Oxford-educated Tetsuya Ishikawa. During a career within some of the world's major banks, he structured and sold sub-prime securities to global investors. But after being made redundant in 2008, he turned his hand to writing and has just published a novel based on his insider knowledge of the banking world that is taking the bestseller lists by storm.

The title of his book, *How I Caused the Credit Crunch*, is as intriguing as its contents. Too often during the current financial crisis the emphasis has been on technical problems of risk management, and on what technical fixes now need to be imposed. Ishikawa's book provides, in contrast, a vivid reminder that financial markets are not the workings of cold mechanical forces, but of warm flesh and blood. Resulting from human choices, they reflect human morality.

The same is true of all other sectors of the economy. Indeed, the attempt to understand and to operate in markets through the suspension of moral judgement forces economics and business into a moral vacuum that eventually stifles them. Because they are essentially about relationships, markets require moral virtue to survive. The credit crunch is as much a wake up call to the destructiveness that can occur when morality goes wrong as 9/11 was to the destructiveness that can occur when religion goes wrong.

But attempts to use bad morals as an excuse to eliminate the operation of virtue from markets – whether through the imposition of amoral worldviews or of mechanical fixes - will be as futile and counterproductive as current attempts to use examples of bad religion as grounds for banishing of religion from public life. For most people in the world, religion is the magnetic field in which they set their moral compass. It is the context in which they perceive and pursue visions of what a virtuous life looks like, stimulated by the sense of personal moral responsibility that religion tends to engender.

This is what inspired Mel Gibson to ask the camera crew of his blockbuster *The Passion* to film his hand as that of the centurion holding the nails that were driven through Jesus' wrists. Gibson's act reflects a mindset that Ishikawa's book can help stimulate. For while his spotlight is on bankers, Ishikawa insists that 'we are all responsible in our small way' and that 'the arrogance of the [banking] industry has gone out. There is a greater sense of humility'.

Were we all to embrace such humility, and the magnanimity and magnificence Ishikawa shows towards his former colleagues in highlighting it, in owning up to his wrongdoing, and in turning redundancy into a launch pad for a new career as a best-selling novelist, the green shoots of recovery would be sooner to appear. For the recovery of forgotten virtues helps form entrepreneurial leaders who are great in both soul and deed. ■

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