

## Chapter 2

# Plato, Business and Moral Leadership

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**Abstract** This paper looks to Plato for guidance on business and business leadership in the twenty-first century. It focuses on three themes. The first is the concept of “the market” as an agora, a meeting place where economic, political and social themes, activities and values intersect and are engaged. The second theme revolves around the concept of a “social contract” that dominates Plato’s account in the Crito of the life, mission and responsibilities of Socrates faced with responding to a death penalty imposed at the conclusion of a judicial process in which Socrates was on trial for corrupting the youth. The focus of the final theme is Plato’s attempt in The Republic to understand the proper relationship between and among what he defines as the three functions essential to any organized human society, functions that today we would identify as government or political leadership, the generation of economic wealth and the task of protecting the state from attack by external military forces where the goal is the creation of a just and harmonious society. The paper concludes that Plato provides indirect but persuasive reasons for the view that business and the generation of material wealth must be harmoniously interwoven with the social and political dimensions of society and government if a just society is to be realized. What Plato’s insights suggest is that to abstract economic markets from the wider sphere of human activity is bound to result in a misleading account of the nature of business and economic activity more generally, and, if put into practice, is likely to result in social conflict and social and political degeneration.

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## 2.1 Introduction

To many, the thought that we might turn to Plato for guidance in ordering economic relationships in the complex economic environment of the twenty-first century may well feel fanciful if not positively misguided. However, for reasons whose outlines I propose to set out very briefly, I shall argue that there is much to be learned from Plato and the dialogues that are the vehicles of his thought.

For the purpose of this presentation, I have decided to focus on three themes: the role of the market in Athenian life; the suggestion that human beings and the institutions and activities that structure human activity are woven together by a social contract; and the suggestion that justice requires a harmonious integration of the key elements of individual character and social organization. The first of these themes lays the foundations for what can be seen in Plato's writing as a developing and increasingly probing analysis of the responsibilities and relationships required to create a just society. For Athenians, the market was a public space, a meeting place, an agora where the business of a complex, economically successful democracy was conducted. In the *Crito*, Plato creates a dialogue in which Socrates is pressed to understand and construct a model for understanding the obligations and responsibilities resulting from both the fact that he is an Athenian citizen and the fact that he has benefited from his Athenian citizenship and actively participated in the life of the Athens. Finally, in the *Republic*, Plato seeks to provide an account of structural relationships between and among the core elements of any society if justice is to be achieved and a just society created.

What is intriguing is that two key elements in Plato's thought, "the market" and the concept of "social contract", have emerged as central organizing concepts in contemporary economics and management on the one hand, and ethical reflection on the obligations of business and business leaders on the other. A primary purpose of what follows is to explore what might be learned by comparing and contrasting contemporary accounts with those emerging from Plato's treatment of those themes particularly in the *Crito* and *The Republic*. As we shall discover, Plato's views can be seen to contrast sharply with currently dominant understandings of economic, social and political role of business in a democratic society. The currently dominant view of the role of business in society sees the "the market" as a space best reserved for economic and business interests and activities and the generation of material wealth and best insulated and protected from social and political interests and activities that have their place but not in "the market". On this view, markets should be left to the guidance of Adam Smith's invisible hand not the jaundiced eyes of politicians and social activists whose legitimacy must be established and expressed in other ways.

## 2.2 Theme One: Markets and the Athenian Agora

The concept of "a market" or markets is a fascinating one that has evolved and changed in significant ways over the centuries. Today, it is a central concept around which economic theory and contemporary explorations of business ethics and moral leadership revolve.

For Athenians, the market was a place to do business in the widest possible sense. It was place in which to buy and sell, plan business ventures, and negotiate business deals. But the market was much more than this. It was a forum for political dialogue, both formal and informal. It was a place where the business of government was discussed and transacted. It was a gathering place for political debate. Many of Socrates interrogations of public figures took place there. The public nature of those interrogations and criticisms and their impact on bystanders and participants was one of the factors leading to his public trial and subsequent execution.

The public market was also a social gathering place where friends met to pass the time, share news about friends and acquaintances and keep up to date on the events of the day.

Finally, it was a forum for the exchange of ideas and for philosophical reflection. It was a class room where teachers, the Sophists for example, attracted and instructed their students. And it was there that Socrates engaged politicians and friends alike in debate on what was to him the fundamental issue of the day, namely the nature and pursuit of justice and the relation of justice to the other virtues. Of course, it was not the only place in which serious ideas were entertained and discussed. However, it was an important arena, one which ensured that business was conducted and public policy debated under conditions of relative transparency and public scrutiny.

The idea that business could be thought of apart from the political, social and religious dimensions of the lives of the Athenian community would therefore have been quite incomprehensible to both Plato and Socrates, and the Athenians with whom they lived and conversed. The market, as a public agora, shaped in fundamental and practical ways Plato's understanding of what we would call today the role of wealth creation and business firms as wealth creators in the shaping of a healthy, viable and just society.

## 2.3 Theme Two: The Idea of a Social Contract

A central concern for both Socrates and Plato was the nature and pursuit of justice for both the individual and society. Socrates search for an understanding of justice was conducted publically through conversations and confrontations with Athenians and some of their most powerful leaders in the Athenian agora or marketplace. Those inquiries formed the basis of a set of charges, namely that Socrates was corrupting the youth of Athens, a trial, a verdict of guilt and the imposition of the penalty of death. The trial, imprisonment and death of Socrates had a profound impact on Plato. The significance of the trial and the verdict emerge from Plato's account of the conversations of Socrates with his friends while in prison awaiting execution. The Crito depicts Socrates first in conversation with his friend Crito reflecting on whether to take the advice of Crito and escape and go into exile to avoid execution. The conversation takes a dramatic shift in direction, however, as Socrates redirects the focus of the conversation from his friend Crito to "The Laws" which are depicted as personifying the state.

### 108 **2.3.1 Socrates Conversation with “The Laws”**

109 In the dialogue, the Laws confront Socrates with a question. What has “the state”  
 110 done that would justify an attempt on Socrates part to destroy the state? Socrates is  
 111 reminded by his interlocutor, the Laws, that it is thanks to the laws and the state that  
 112 Athenians like Socrates’ parents were able to marry, conceive, give birth, raise  
 113 children, and ensure their education. Furthermore, the state had given Socrates and  
 114 “every other citizen a share in every good” the state was in a position to give. The  
 115 nature of these additional goods is not enumerated in the text. However, they are not  
 116 difficult to identify: protection of private property, a civic order in which goods and  
 117 services could be freely exchanged, public facilities for the administration of law  
 118 and government, an army to provide protection from external enemies, freedom  
 119 to participate, question and contribute to public life and so on. In the absence of  
 120 these public goods, the life that Socrates was able to live and the debates and  
 121 conversations in which he had indulged would have been quite impossible. More  
 122 important for our purposes, in the absence of these public goods, the conduct of  
 123 business would be severely truncated and restricted. Athens as a centre of trade and  
 124 economic activity was heavily dependent on the infrastructure and the quality of  
 125 life which “the Laws” made possible.

### 126 **2.3.2 Implications for Business**

127 The dialogue between Socrates and the laws (and government) in the Crito does not  
 128 focus on the role of the state in facilitating the conduct of business. Nonetheless, the  
 129 argument can be seen not only to have broad application but also to offer quite  
 130 specific lessons for the contemporary world of business. Let us look at each in turn.

131 First, in its more general application, the position developed in the Crito and  
 132 later in the Republic underscores the intimate relation between the freedom to  
 133 engage in a meaningful existence and the existence of a complex, structured social  
 134 order that provides an ordered framework that makes the pursuit of individual goals  
 135 and objectives possible. What applies to human life generally applies also to the  
 136 pursuit of business objectives. Business is not a human activity that can be under-  
 137 stood isolated from an understanding of the various ways in which the institutions,  
 138 practices and laws of any given society provide the environment which makes  
 139 doing business possible and rewarding.

140 This view of the relation between business and society no longer holds the place  
 141 today in the thinking of business theorists that it did in Greek thought and particu-  
 142 larly Greek philosophy. Economic theory as it has evolved in the modern period  
 143 builds on a one dimensional view of human motivation quite incompatible in  
 144 content and structure with its Socratic/Platonic counterpart. What Plato would  
 145 call the appetitive component of the human psyche (profit maximization and the  
 146 pursuit of material wealth) is given the central role in understanding economic

behaviour in the contemporary world of business. Self interest, activated by private and personal desires, is understood to drive all rational economic activity. (Friedman 1970; Heath 2009; Cragg 2002) The picture of economic man that emerges is one dimensional, devoid of the complex social patterns and structures Plato describes in dialogues like the *Crito* or the *Republic*.

This contemporary picture of economic man is reflected in the theory and practice of management in today's business world. The dominant view of the obligations of managers, particularly the managers of large publicly held multinational corporations and the managers of large investment and pension funds, is that their central moral obligation is to maximize profits for the benefit of their owners, whose interests, it is assumed, are myopically fixed on maximizing financial returns. On this view, a manager's social obligations extend only to an obligation to obey the law, and, as Friedman describes it, local ethical custom or the rules of the game. Here law and ethical custom are seen not as the dynamic framework required for the development of flourishing market activity but rather as largely (though not entirely) unwelcome restraints on the free exchange of goods and services. Law and regulation are to be minimized where possible and ignored where they are not enforced and the benefits of doing so substantial.

On this view, the market is a zone of activity governed ideally by purely economic values whose intersection and interrelationship with other important human values are irrelevant to understanding its purpose and function.

### 2.3.3 *The Emergence of the Idea of a Social Contract*

Contemporary management and economic theory that is grounded on the idea that our understanding of business or economic activity can be abstracted from markets as places for human social, political, religious and economic interaction would not have been conceivable either to Plato or Socrates. To be sure, it is not an idea that either directly addresses. However, Socrates' dialogue with the Laws does hold lessons for management in the twenty-first century as well as understandings of the responsibilities of the contemporary business leader, though what those lessons are will not be immediately obvious.

In the *Crito*, Socrates is described as ruminating on his responsibilities as an individual and as a citizen to the state. The contemporary shareholder owned, for-profit corporation is an organization and not an individual. The decisions of business leaders in this context are not the decisions of people acting in their role as citizens but rather individuals making corporate decisions. The primary responsibilities of business leaders, it could and has been argued, is to the corporations and their owners, namely the shareholders who have delegated leadership responsibilities to them.

There is an interesting link here to the argument of Socrates although the link itself is not immediately obvious. One of the basic and widely assumed obligations of the corporation and its leadership on the contemporary economic model of the

188 firm is to obey the law. Milton Friedman puts the matter this way. He points out first  
189 that only people have responsibilities not business generally. He then goes on to say:

190 In a free-enterprise, private-property system, the corporate executive is an employee of the  
191 owners of the business. He has direct responsibility to his employers. That responsibility is  
192 to conduct the business in accordance with their desires, which generally will be to make as  
193 much money as possible . . . (1970)

194 It is significant, however, that Friedman does not stop here. He goes on to say  
195 that while business leaders have an obligation to make as much money as possible  
196 for their owners, they have an obligation to do so **“while conforming to the law”**  
197 (my emphasis) (1970). This assertion provides an interesting bridge back to the  
198 position Socrates is taking in his dialogue with Crito.

199 At the heart of the exchange between Socrates and the Laws is the view that as an  
200 Athenian, Socrates has a fundamental obligation to obey the law. Why is this the  
201 case? The response that Socrates puts in the mouth of the Laws gives us the answer.  
202 “And was that our agreement with you . . .” the Laws ask, “or were you to abide by  
203 the sentence of the state?” What Socrates is suggesting in this passage is that when  
204 becoming a citizen of Athens, he entered into an agreement. A key provision of that  
205 agreement, Socrates concludes, is an obligation to obey the law. That is why the  
206 Laws are personified in the dialogue and why the dialogue is with the Laws. What  
207 Plato is recreating is a conversation between two parties to an agreement, what  
208 today we would call a contract or a social contract (Cragg 1999).

209 Can we point to a parallel with the modern shareholder owned corporation? The  
210 answer is embedded in a fundamental characteristic of modern business entities. The  
211 modern corporation is a legal artifact. (Cragg 2002) Its powers and key characteristics  
212 can exist only within a framework of laws that are respected and enforced by the  
213 state. For example, a key characteristic of the contemporary corporation is limited  
214 liability. Limited liability is a provision that allows corporations to amass capital  
215 which in turn allows them to build powerful business entities capable of engaging in  
216 research and providing goods and services that only access to vast pools of capital  
217 make possible. Limited liability has this effect because it limits the legal liability of  
218 investors to the sum of money they invest in the corporation. The result is that when  
219 someone invests money in a corporation by buying shares, the money risked and  
220 therefore the money the investor stands to lose is limited exclusively to the money  
221 invested. That being the case, an investor can invest knowing the exact extent of his  
222 or her liability and knowing that nothing else that he or she owns will be put at risk by  
223 that investment. Without this provision, investors would have to approach investing  
224 in a corporation much more cautiously.

225 Limited liability, however, is possible only if conferred by law. It is something  
226 that society through the state can grant or take away. It is not, as some would put it,  
227 a “natural right”.

228 The question then is why a society would confer this important protection on  
229 investors? Presumably, it is not with the objective of allowing individuals to  
230 become wealthy. It must be because the state believes that creating a legal frame-  
231 work that allows corporations with the characteristics of the modern corporation to

come into existence and engage in business activities will generate benefits more  
generally for the people for which the government has responsibility and authority.  
The relationship between the contemporary corporation and the state can then be  
said to parallel the relationship Socrates claims exists between the state and the  
individual citizen. It has the characteristics of an agreement or a social contract. It is  
an implicit not an explicit agreement. However, it is reciprocal; and it is morally  
binding. Because corporations as legal artifacts owe their existence to laws and a  
legal system created by the state, they have an obligation to respect the laws and the  
authority of the state on which their existence as business entities and their capacity  
to do business depends. In return for the right to exist, operate and generate private  
wealth for their owners, they also have a moral obligation to meet those conditions  
implied by their agreement, namely to contribute to the public good.<sup>1</sup>

## 2.4 Theme Three: Plato Harmony and the Pursuit of Justice

The execution of Socrates as well as Socrates' reasons for refusing the entreaties of  
his friend Crito to accept the assistance of his friends to escape and go into exile had  
a profound impact on Plato, also a friend and student. Why, Plato wondered, was  
the incisive interrogation of the power brokers of Athenian society so disturbing as  
to lead to a public trial and execution? What was required by way of personal and  
social understanding and the structuring of both individual character and the social  
order to prevent the commission of injustices of this magnitude? The Republic is  
Plato's response. The focus is the nature and pursuit of individual and societal  
justice. In the Republic, Plato seeks to develop an account and a model that reflects  
the practical lessons of Athenian society and the theoretical insights offered in a  
preliminary way by his mentor Socrates.

Human society and the individual human character, Plato suggests, is composed of  
three elements. The first is what he describes as the appetitive element or that aspect  
of society focused on the material necessities that make life physically possible. Plato  
speaks here of "husbandmen" and "craftsmen" (Book III: 415). However, it is clear  
that he has in mind what we would call the economic function of society, the  
production and producers of economic wealth, the goods and services without  
which organized societal life is not possible. A second function is fulfilled by what  
Plato refers to as "auxiliaries" whose responsibility is to protect a city or community  
from its external enemies. This is a military function to be fulfilled by military  
personal who have the physical capacity and courage to defend the state. The third  
function is that of "guardian" or ruler. The function of this role or element is to create  
the laws that order the relationships and responsibilities of the people who together  
comprise the city or state. The state will be well ordered, Plato argues, only if each of

<sup>1</sup>I explore this idea in much greater detail in "Human Rights and Business Ethics: Fashioning a New Social Contract, and "Business Ethics and Stakeholder Theory".



269 these roles is responsibly carried out and only if the rulers are properly educated and  
 270 allowed to do their job. Proper education requires a resolute focus on the public good  
 271 and protection from the distractions of personal wealth.

272 The desired outcome is described by Plato in Book IV. The goal in founding the  
 273 state, he proposes is “the greatest happiness of the whole” (420). For it is in a well  
 274 ordered and harmonious state that justice is most likely to be found (420). A central  
 275 characteristic of a harmonious state, however, is one where the rulers are focused on  
 276 the good of the whole and where the values of those responsible for the production  
 277 of material wealth are properly ordered and are not allowed to define the purpose or  
 278 the rules of society. In Plato’s Republic the central responsibility of what we would  
 279 call the business class is to work harmoniously with government with a view to  
 280 serving the public good which for Plato was the creation of a just society.

281 In contrast, the currently dominant economic model of the contemporary corpora-  
 282 tion builds on the assumption that the primary obligation of business leaders is to their  
 283 shareholders and to the production of private wealth. The view of the relation of the  
 284 individual to the state set out by Plato in the Crito and later in the Republic exposes  
 285 the poverty of that now dominant economic model of the firm and its leadership.  
 286 Although he believed that human beings flourish best in an environment where there  
 287 is a division of labour that carefully differentiates the functions and responsibilities  
 288 required for the creation and maintenance of a fully effective and just society, Plato’s  
 289 governing insight is the view that justice requires a harmonious integration of the  
 290 roles and functions required in a complex society. Crucially important, in Plato’s  
 291 view, is a willingness on the part of those generating wealth to contribute to the social  
 292 good and to be guided by leaders whose primary obligation is to ensure that all parts  
 293 of society work together to advance the common good. Achieving harmony requires  
 294 of leaders wisdom, courage, self discipline but also adherence to fundamental  
 295 principles that define their responsibilities.

296 Plato’s analysis also holds out a warning for public policy makers. The single  
 297 minded pursuit of material wealth, Plato points out, is a recipe for social and  
 298 personal disintegration, injustice and tyranny. This is one of the fundamental  
 299 themes of The Republic. Where those responsible for the generation of material  
 300 wealth dominate the law making function of government, social disharmony and  
 301 conflict can be expected to result. The rules, Plato argues, should be created by  
 302 leaders focused on the public good. The pursuit of personal or private material  
 303 wealth creates a conflict of interest that blinds those caught up by it to the public  
 304 good and the likely negative impact of the self interested pursuit of private wealth  
 305 on the creation of a just and harmonious society.

## 306 2.5 Conclusions

307 Plato’s vision of the just society is not one that most of us are likely to embrace  
 308 today in all its details. The underlying principals and insights, however, are well  
 309 worth careful evaluation. There would appear to be a good deal of evidence that the



unbridled pursuit of material wealth does lead to social disharmony and tyranny. 310  
 Markets serve economic values and economic interests. However, detached from a 311  
 wider range of human values and interests, economic interests undermine the 312  
 social, political and legal frameworks required if markets are to function effec- 313  
 tively. The past two decades provide ample evidence of the harm that results when 314  
 these fundamental truths are ignored. 315

In a world in which economic interests, organized in the form of multinational 316  
 corporations and financial institutions have assumed a kind of power historically 317  
 available only to states, Plato's proposal that a harmonious integration of all the key 318  
 social elements required for the creation of a just society is one to which today's 319  
 business leaders might therefore well give careful consideration. 320

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