



SPIN
SEVEN PILLARS INSTITUTE
NEWSLETTER
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SECOND ANNUAL FUNDRAISER

The Seven Pillars Institute hosted its second annual fundraiser on July 6, 2012. The event was a success, with many notable academics and Kansas Attorney General Derek Schmidt in attendance. Dr. Richard De George, University Distinguished Professor Emeritus of Philosophy, of Russian and East European Studies, and of Business Administration at the University of Kansas, gave the keynote address.



From left: Jennifer Schmidt, Suzanne Valdez McAllister, Dr. Kara Tan Bhala, Kansas Attorney General, Derek Schmidt.

In his speech, Dr. De George addressed the moral defensibility of capitalism. After noting that he originally lectured on the topic as a reply to Marx's criticisms of capitalism in 1974, he said the U.S. went from industrial capitalism into the current state of financial capitalism. Industrial capitalism could be defended, he said, by the improved wealth and standard of living for the ordinary citizen. Entrepreneurs provided needed goods and services at a reasonable cost that was controlled by competition. Government rules and regulations cured many of industrial capitalism's ills. These included exploitation, safety, and monopolies, among others.



Professor Richard De George, a founder of business ethics.

Dr. De George observed that our current financial capitalism is very different. We now use risk and new financial instruments such as mortgage-backed securities, credit default swaps, and collateral debt obligations to garner returns on investment.

The companies trading these often demand a high rate of return for the risks they assume. The remuneration seen in financial capitalism has yet to encounter competition to drive it down. In industrial capitalism, an entity would swoop in and take the job at a lower cost to increase consumers. However, we are lacking that competition to drive down costs in financial capitalism.

Dr. De George stated that although he knows plenty of explanations for the current system, he has yet to hear justifications for it. The political sphere tells us that each party has the right fix for the economy. However, neither side tells us all the options, or justifies why that side has the best. There is no buy-in from the citizenry of the United States. There is no real knowledge about what happens with the complex financial instruments for any person who did not get a business degree. An uninformed citizenry is dangerous to a democracy.



Seven Pillars Institute Summer Interns from left: Leni Filgueira, Jane Li.

The Seven Pillars Institute is Dr. De George's hopeful hero in this scenario. He sees the need for analysis of and moral justification for the financial capitalism we now use in this country and increasingly around the world. Dr. De George applauds the work and spark of Dr. Kara Tan Bhala, the Institute's President. "We have here, at last," he said, "a politically non-partisan and not-for-profit think tank, dedicated to looking into the ethics of finance capitalism." Dr. De George hopes the Institute can fill this area of great need and have a global impact on the ethics of finance capitalism.

The full text of Dr. Richard De George's speech can be read in the forthcoming (September) issue of [Moral Cents \(Summer 2012\)](#).



Jazz at the Fundraiser

THE PAST YEAR'S ACHIEVEMENTS

This past year, Seven Pillars Institute published the first issue of its online journal, *Moral Cents: The Journal of Ethics in Finance*. The journal is a biannual publication.

There are now eighteen case studies in SPI's online library. Two of these case studies, "Finance, Ethics and the 2014 Brazilian Olympics" and "Are Insider Trading and the Bailout of GM Ethical?" were featured in [Real Clear Markets](#), a widely read and highly respected consolidator of financial research.



At the Qatar Law Forum in Doha. From left: Tom Baxter (General Counsel Federal Reserve Bank of New York), Kara Tan Bhala, Mohammed Al-Sheabi (Head of Saudi Arabian Monetary Agency).

SPI's President, Dr. Kara Tan Bhala, traveled to Doha, Qatar, in May, as an official invited delegate of the Qatar Law Forum. This forum is the law equivalent of the World Economic Forum in Davos. The panel on The Role of Ethics and Law in Finance was of particular interest. A Question and Answer session between Tom Baxter, the General Counsel and Executive Vice President of the Federal Reserve Bank

of New York, and Sir William Blair, Justice of the Queen's Bench in London, is available on the [Seven Pillars Institute's website](#).

Dr. Tan Bhala delivered a highly publicized [lecture](#) at the Heidelberg Institute for Latin America in Santiago, Chile. The topic was, "The Desolate History of Ethics in Finance and its Fruitful Future." She also presented this lecture at KAIST (Korea Advanced Institute of Science and Technology) Business School in Seoul, Korea in August.

Last but by no means least, SPI gained strong international exposure when [Prospect Magazine](#) invited SPI to enter its 2012 global think tank competition. Prospect Magazine is a respected and prestigious British publication. Established think tanks from around the world compete in this ideas and research contest, so SPI was among good company. SPI submitted two articles and the first issue of *Moral Cents* to the competition.

MANY THANKS TO OUR SUPPORTERS!

Seven Pillars Institute wishes to thank everyone who attended the fundraiser and also to those who could not attend but contributed to the quest anyway.
