

A Platonic Approach to the Business Enterprise

Una aproximación platónica a la empresa de negocios

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Abstract

It is difficult to define the business enterprise. We offer a philosophical definition within the Platonic tradition. Plato inaugurated the philosophical discipline of ontology in an attempt to understand better the notion of *being* and the different forms of beings. By its very existence, the business enterprise must belong to some kind of being, and we try to explain to which one and in which way it manifestly does.

Keywords

Business enterprise, criminal enterprise, corporation, entrepreneurship.

Resumen

No es fácil definir la empresa de negocios. Platón inauguró la ontología en un intento de comprender mejor la noción de *ser* y las diferentes formas de los seres. Dado que existe, la empresa debe pertenecer a alguna forma de ser; intentaremos explicar a cuál y de qué manera lo hace manifestamente.

Palabras clave

corporación de negocios, emprendimiento, empresa criminal, empresa de negocios.

A Platonic Approach

What is a business enterprise? Definitions of complex realities are difficult. Intuitively we understand what a business enterprise is; it is more than a legal fiction, since a shell company is not a business, and not all real operating businesses are registered; many business enterprises operate within the gray area of informal but legal activities. And it is no natural being; without human participation, there are no businesses in nature. Businesses are created by us, but they are not material artifacts. Some businesses are dedicated to the production of artifacts, others aren't. A retailer or a hotel doesn't produce anything.

In the Platonic dialogue *Theaetetus* Socrates asks Theaetetus if he thinks that someone would be capable of understanding a special denomination of a specific thing when this person doesn't know what that specific thing is. Theaetetus's answer is definitive: "Never!". So, Socrates continues, if the person has no understanding of what "knowledge" means, she would be incapable of understanding what "knowledge about shoes" means (*Theaet.* 147b).

Trying to define the business enterprise, we find a similar situation: Is there any difference between an entrepreneurship or startup and a business enterprise? What is the difference between a business enterprise and a business corporation? And what is the difference between the business enterprise and the criminal enterprise?

As in *Theaetetus* in many of his dialogues, Plato formulates once and again this sort of question, not related to the business enterprise, but to key ethical concepts: "What is the rhetoric?" in *Gorgias*, "What is justice?" in *Respublica*; "What is courage?" in *Laches*; "What is virtue?" in *Meno*.

The form of questioning is called the "What is X?" question. The method to address this question is the Platonic dialectic (Stemmer, 1992; Sayre, 1995). Leaning on the Platonic method we want to

search for a definition not of an ethical concept, but of a complex entity, the business enterprise.

We start with a basic “What is X?” question (Stemmer, 1992): “what is the business enterprise?”. And we follow four Platonic insights: the distinction between what is essential, and what is incidental or contingent; the distinction between what is common and what is specific or unique (Schmitt, 2003: 29, 54, 60, 63, 338; Sayre, 1995: 136); the role of the ideal to gain a better understanding of an existing reality (*Resp.* 473a1-b3; *Resp.* 591c1-592b6; *Lg.* 713 ff; 739d-e); and the distinction between what is genuine and what is a simulacrum, or a fake (*Gorg.* 464d3-c2; *Resp.* VII; *Resp.* 598c5-599b8; *Soph.* 266b-267b).

The distinction between what is necessary and what is incidental helps us to identify the essential constitutive features of a business enterprise, in contrast with contingent, non-necessary features. To be a public business corporation it is necessary to be registered as such and to have shareholders and a board of directors. But it is incidental if the corporation is registered in Delaware or Geneva. For the business enterprise is unnecessary to have shareholders: there are many privately owned businesses. It seems that the business enterprise is not the same as the business corporation. This brings us to the second key criterion: the difference between what is common and what is specific.

If the business enterprise and the business corporation belong to the same Kind, they must have some common features. They share the profit motive, but the business corporation has the distinction between owners (shareholders) and managers, whereas many business enterprises do not have this distinction. The distinction between owners and managers is specific to the business corporation, it is the *specificum* of the business corporation.

The genuine and the fake is the third key criterion: the criminal enterprise is an imitation, a simulacrum of the business enterprise. A highly complex criminal enterprise, like a drug cartel or the ‘Ndrangheta, operates across countries and even continents following the profit compulsion. In this, they resemble business corporations; but the *specificum* of the criminal enterprise —to obtain

profit by destroying value— makes it the simulacrum of the business enterprise (Saviano, 2019; Klaubert, 2021).

The fourth insight is the role of the ideal, that helps us in three ways to gain a better understanding of the real, particular businesses: First, it helps us to understand the role of business in society (*Resp.* 427d-444e). Businesses are one of the key institutions for the common good. Businesses contribute unique goods, indispensable for a good society that cannot be properly achieved by any other institution. Second, the ideal offers us a regulatory framework for real businesses. The definition of an institution implies a normative character: to say *what* an institution is, implies an idea of *how* it should work to achieve its proper goods. Third, the ideal allows us to correct features in the given business when confronting the real operation with the ideal.

We reject from the outset two interpretations of the ideal: First, the pretension that we could aspire to define something as the “definitive ideal”, a notion that is valid eternally and cannot be improved. This is a mistake for several reasons: We as humans are incapable of perfection. The ideal of the business enterprise is also our construction and it remains an imperfect notion. Second, our formulation of the ideal is influenced by historical circumstances, our experience, knowledge, and philosophical *finesse*. Some notions of the ideal polis were obvious to Plato and Aristotle and are not obvious anymore. The most conspicuous is Aristotle’s acceptance of institutionalized slavery (*Pol.* I); a less contentious one is the idea that the optimal political unit is the polis. Our basic political unit is now the nation-state, much more complex than the polis.

Each ideal must be confronted once and again with the ideal of justice, as we continue in our efforts to understand justice better. Every formulation of an ideal is an interpretation, a heuristic intellectual exercise; it is subject to error like any other human reasoning. Even if the ideal were to have some existence beyond our minds, the problems of the discovery of the ideal, its correct interpretation, and its practical application remain. Every ideal and every realization of the ideal is a “work in progress”. The Platonic attitude is one of permanent vigilance and continuous examination of our beliefs

and convictions; not one of intellectual complacency and self-righteousness. That's why there is such a remarkable evolution from the *Gorgias* to the *Respublica* and finally to the *Leges* concerning the problem of justice in the city: the paradigm of justice itself it's being corrected and improved.

Gorgias illustrates how the mentioned Platonic criteria are put to work for productive use: Socrates distinguishes between genuine arts to take care of the soul and the body of the human being. The one in charge of the soul is politics and it divides itself into two further arts, one prescriptive and one corrective: legislation and justice. There is no name for the art in charge of the body, but it also divides itself into two further arts: fitness and medicine. Fitness corresponds to legislation (the sustaining of either bodily health or the health of the soul), and medicine corresponds to justice – the restoration of the health of the body or the soul. Each one of these genuine arts has its corresponding simulacrum: the simulacrum of medicine is culinary; the simulacrum of fitness is cosmetics; the simulacrum of legislation is sophistry, and the simulacrum of justice is rhetoric.

There are similarities between simulacra and the genuine arts: both culinary and medicine are related to food and diet. Both cosmetics and fitness are related to body condition and appearance; and both, rhetoric and justice have to do with the government of the polis. Despite these and other conspicuous similarities, they are the opposite, because of the goals they pursue and the means they apply: the goal of culinary is pleasure; the goal of medicine is healthy nutrition. The goal of cosmetics is an attractive physical appearance; the goal of fitness is physical health. The goal of sophistry is to deceive; the goal of the legislation is to order the polis to the good. The goal of rhetoric is manipulation; the goal of justice is the common good (*Gorg.* 463d-465e).

We apply these Platonic criteria to distinguish between the entrepreneurship, the business enterprise, the business corporation, and the criminal enterprise. Our Platonic approach follows four stages. The first is the use of the ἔλεγχος (*elenchos*), the strategy of questioning and refutation: We review three common metaphors of the business enterprise and reject them because they are misguided

and lead in the wrong direction. The second is the constructive phase of the dialectical method: We consider four influential conceptions about the business enterprise and a critical perspective from another important book. In the third stage, we take the elements gained from the previous examination to formulate our definition, this is the stage of “collection and division”, i.e. of necessary or incidental features of the above-mentioned entities (Sayre, 1995: 145-151). In the final stage of the dialectical method, we take the propositions gained in the two prior stages and confront them with a “higher hypothesis”, with a general notion of the role of the business enterprise in the construction of the common good (Sayre, 1995: 139-144).

In this fourth stage, we explain the Platonic notion of ἔργον (*ergon*) or “specific performance”. We use *ergon* as a philosophical tool to explain the specific goods that the business enterprise brings about. Once the goods have been defined, there are certain normative limitations that any business must respect, if it aspires to bring about these goods. Defining the proper goods and the role of the business enterprise in society emphasize how concrete businesses should operate ideally for the sake of the common good. Finally, we draw some hard and unpopular but necessary conclusions from our view.

Elenchos: Misleading Metaphors

On the Platonic critical refutation (ἔλεγχος), Plato’s dialectic consists in a philosophical conversation aiming at the truth and not at refutation per-se, a conversation on serious questions and conducted at length on a rigorous fashion; a conversation with questions, answers, theses, and refutations (Stemmer, 1992). The *elenchos* is an important part of this sort of conversation: A definition is proposed and then the participants examine if the definition is true or not; if it explains the essential and unique features of the reality to be defined or not.

In some cases, along with definitions, certain metaphors are suggested. Two aspects of the metaphors are relevant in the quest for a definition: First, metaphors aim to explain some unfamiliar,

complex or unknown entity by pointing out some similarities with another, well understood, reality. Second, the metaphor itself becomes a paradigm: an ideal model of how the specific institution must be constituted to fulfill its function and purpose.

Three common metaphors are used to explain the business enterprise: the first is a mechanical, the second a biological and the third a social metaphor. The three of them ought to be rejected on both counts of the aspects of the metaphor, they neither clarify what the specific of the institution of the business enterprise is, nor are they appropriate models of the business enterprise.

The industrial revolution in the United Kingdom is the historical context for the metaphor of the business enterprise as a machine or a mechanism (Landes, 2003). It likens the business enterprise to a giant mechanism or a machine. The metaphor assumes that the business enterprise is the place of production, and the primal example of production is the factory. Le Texier (2015) explains how the ideal of management changed from an ideal of care (as a mother with her baby) to an ideal of organizing tools for the sake of efficacy in production first within the factory, then also in the office and finally in every human institution.

The main problem of the metaphor is its reductionism: it explains the business enterprise in the image of the factory, and then explains the factory in the image of a machine i.e., a giant mechanism. But not every mechanism makes manufactured products. A clock, despite its complicated mechanism, does not produce anything. And not every product can or should be manufactured, and not every business enterprise produces objects:

Before the industrial revolution, in the Middle age and the Renaissance the paradigmatic example of the business enterprise would have been the workshop and the bank, neither of which operates as a machine. The products of the workshops are often not manufactured: the work of the carpenter, the blacksmith, or the tailor are bespoke products, they cannot be made by a giant machine. The bank does not product anything at all, like businesses for health, fitness, education, legal or hospitality services. There is no point in likening the operation of a hotel to the operation of a giant machine.

The largest businesses prior to the industrial revolution were corporations namely, the East India Company of the British Empire of the British Empire, established in 1600, and the Dutch East India Company of the Republic of the Netherlands established in 1602. None of them produced manufactured products. Both were dedicated to trade (Micklethwait *et al.*, 2003; Robins, 2012).

A second obvious problem of the metaphor is that it obliterates the very distinction it tries to explain: A typical factory of the nineteenth century had workers and machines; workers are not machines, so the machine is not a sufficient image of the factory. This mistake is incurred by Ure (2006, loc. 262 of 5521), who affirms:

But I conceive that this title [the denomination of factory], in its strictest sense, involves the idea of a vast automaton, composed of various mechanical and intellectual organs, acting in uninterrupted concert for the production of a common object, all of them being subordinated to a self-regulated moving force.

A third obvious problem is that the metaphor fails to explain the central activity of the business enterprise: the organization of remunerated work that generates value. Machines get no remuneration and they do not work in the sense that people work. Factories cannot be the paradigm of the business enterprise since not every factory is also a business enterprise. There are and have been factories own by the state. There have been also unproductive factories, organized not to product but to annihilate: The gravest example of a factory transformed into a giant machine are the “fabrics of death” put in place by Nazi Germany. In concentration camps the workers were treated like objects; the gears of a giant mechanism of death, the workers were both, the parts of the machine and the product of its horrendous operation: a fabric of corpses (Dreßen, 2011). The analogy of the mechanism dehumanized the operation of the business enterprise. The metaphor is useless even to explain a factory. It misses the most important element of a typical factory: the organization of people and machines with the goal of manufacturing objects.

The metaphor of the business as a leaving-being has a long pedigree that goes back among others to Maurice Dobb, Friedrich Hayek and Ludwig Von Mises. Hayek follows von Mises position about the *Gesellschaft* or society being an organism, and not an organization. It is unclear if for Hayek this means that the business enterprise is a cell or an organ of an organism. A revision of von Mises' quoted book by Hayek shows though, that for von Mises the society is indeed an organism, and according to von Mises' theory the business enterprise must be one of the limbs (*Glieder*) or organs (*Organen*) of that organism; but there is no explicit mention of the business enterprise (*Unternehmen*) been an organ (Dobb, 2012: 389; Hayek, 1933: 259-269). The biological metaphor is still present in the current discussion about the definition of the business enterprise, see for instance Mayer, for whom the business corporation should be explained with the help of "the endosymbiotic relationship between foraminifera and algae" (Mayer, 2018: 12).

The biological metaphor is wrong. The business enterprise is an organization, not an organism in the sense of a leaving-being. Just as the metaphor of the machine obliterates the difference between the factory and the machine, the metaphor of the leaving-being obliterates the difference between an organism and an organization: The degree of ontological unity of a leaving-being has nothing to do with a human organization. An organization is not a substantial unity. Members of the organization exist apart from each other and independently. Organs of a leaving being do not exist apart from the body. The leaving-being cannot subsist without its organs in the way that a business enterprise can survive if it changes owners and workers.

The metaphor of the machine failed because it reduced the business operation to its material and mechanical dimension. The metaphor of the animal fails because it subsumes each individual person into a single soul of a single leaving-being, organs of a giant body. It misses one of the hardest problems of any institution included the business enterprise: the challenge to organize free persons to collectively work for the achievement of common goals. A leaving-being is a natural being. As an institution the business enterprise is artificial by its very essence – the result of our actions and commitments.

The family metaphor fails for another reason: it is unfitting to explain one basic human institution, like the business enterprise, in the image of another, totally different institution, the family. A family is not like a business in so far as its main purpose—the development and growth of its members—is inherent and not external to it. A family is non for profit. On the other hand, whereas the growth and development of the members of a business are important, they must not be achieved at the expense of profit. Profit is not everything for the business enterprise, but it is one of its most important features.

The image of the family could be a manipulative one: Used to justify the hierarchy and the authority of the owners over the workers. Just as in the family there is a natural difference between the parents, holders of the authority and the children so, the reasoning goes, there is a “natural” difference between the owners or managers and the regular workers. The image is useful in an agrarian society to justify something similar to what we now called “the feudal system” or the “feudal construct” formed by lords and vassals. The same image was also popular during the first decades of the industrial revolution, when some British thinkers tried to develop factories similar to small towns supposedly not to increase production, but to educate and “discipline” the workers. The projects were a failure for the most part (Ure, 2006; Freeman J. B., 2018) Business enterprise are formed by the free association of free people. The commitment is conditioned to the success of the business operation. Families are defined by their unconditional bonds and are not for the sake of profit. There is a difference between a family and a family-business.

These three metaphors obscure more about the business enterprise than what they reveal. They miss the goal of the metaphor: to explain something harder to understand by something easier to understand. Disregarding their popularity, we do not think that they offer valuable insights to understand and define the business enterprise. We move now to the constructive dialectic stage, by referring to some very influential texts on the firm, the business corporation and business in general, that we think do share some light on the defining features of the business enterprise.

The first is *The Nature of the Firm* by Ronald Coase (1937). Few texts have been as influential for the understanding of the firm as this article. Its goal is to arrive at “a clear definition of the word ‘firm’” (Coase, 1937: 386). For Coase (1937), the firm is based on the voluntary contractual relationship of the entrepreneur and the employee for the sake of production, and with the view of offering something at the open market at a competitive price (cheaper than other offers) and at a profit for the firm, otherwise, it would not exist.

The firm is an organization and neither an organism, nor a cell in an organism, nor a mechanism (Coase, 1937: 388). Coase (1937: 387, 389) rejects Hayek’s and Dobb’s conception of the firm as an organism or as a cell that is part of a larger organism. An organism, that absurdly operates by a mechanism and not by biological processes. The firm is an organization based on a voluntary contract between the entrepreneur and the employee. Firms arise “voluntarily” (Coase, 1937: 389). And the power of the entrepreneur over the employees is always constrained (Coase, 1937: 391), limited to the nature of the business operation. Although Coase entertains the possibility of “voluntary slavery”, he refers to the opinion of Prof. Batt that “such a contract would be void and unenforceable” (Coase, 1937: 391). Coase (1937: 397) suggests that in a system of serfdom, there would be no firms since the price mechanism would not be allowed to operate, and the price would be fixed by the authorities. And so, the entrepreneur would have no incentive to try to “beat” the price mechanism through the organization of the firm. Efficiency and profit are essential goods for the firm: “The main reason why it is profitable to establish a firm would seem to be that there is a cost of using the price mechanism” (Coase, 1937: 390).

There are firms because there is profit to be made by successfully operating a firm. To achieve this profit the coordination led by the entrepreneur, the “vertical” integration (Coase, 1937: 388) must be efficient enough to beat the price mechanism that rules the market.

Coase powerful article has been very important in academia. But within businesspeople there is probably no other text that has

exerted more influence since its publication in the *New York Times Magazine* than Milton Friedmans' essay "Social Responsibility of Business" (Friedman, 1970). A sort of *Communist Manifesto* for the CEOs and the Business Schools it does not define the business enterprise; its concern is to define the role of the public corporation in society. Friedman distinguishes between businessmen that are individual proprietors of their businesses, and corporate executives, who are managers of business corporations. He left the consideration of the individual proprietors aside. His ideas do not help us to elucidate what every business enterprise is, but only what a business corporation is.

One characteristic of the business corporation is the primacy of profit as the ultimate end and the social and ethical justification of the existence of the business enterprise. He emphasizes the role of freedom in business relations: The corporate executives and the shareholders enter into a voluntary contractual arrangement. And the corporation deals with other corporations on the base of voluntary contractual arrangements as well; contractual arrangements generate open markets.

The distinction between a corporate executive and a public employee or civil servant points to the different functions that business corporations and government institutions fulfill within the same society. The "monopolistic power" of business corporations is something to be avoided and contained. As Friedman (2020: 32-37) explained in *Capitalism and Democracy*, one crucial function of government is to contain the monopolistic impulses present in every major business corporation.

There is a delicate power balance between the business corporations and generally the business sector on the one hand, and the government with its different branches and levels on the other. Friedman's warning against moralizing as a cover for business decisions for the sake of profit remains as pertinent as ever: "in practice the doctrine of social responsibility is frequently a cloak for actions that are justified on other grounds rather than a reason for those actions" (Friedman, 1970: 4).

A complimentary vision to Friedman is Edwards Freeman's philosophical theory known as "managing for stakeholders" (2007; 2010). Freeman formulated his theory for the first time in his essay "Strategic Management, a stakeholder approach" (1984). Later he arrived at a concise formulation based on "four pillars" as he called them: the open-ended question; the separation fallacy; the integration thesis; and the responsibility principle. These four pillars articulated themselves to offer an answer to three concrete problems: the problem of value creation and trade; the problem of the ethics of capitalism; and the problem of managerial mindset.

Freeman is looking for an answer to problems in the management of a business. He rightly concluded that such an answer must be embedded in a philosophical theory: Fundamental questions about the purpose of an institution, like the business enterprise are philosophical questions about motivations, ends, meaning, and sense. For his theory Freeman adheres to the method and philosophical principles of Richard Rorty. Rorty saw himself as heir and continuator of the pragmatist school of thought, originated in the U.S. and associated with William James, Oliver Wendell Holmes, and John Dewey among others (Menand, 2001). In the spirit of Freeman, we will also follow a philosophical view, the one of Plato.

The interdependence between the business enterprise and the stakeholders is Freeman's most valuable insight, it emphasizes the collaborative dimension of the business enterprise and the market. And it suggests that there is no fundamental opposition between the goals of the business and the good of society.

Similar to the stakeholder philosophy, the popular notion of "shared value" also impacts the way many businesspeople think about the social function of the business enterprise. The two most influential writings on shared value are Porter and Kramer's seminal article *Strategy & Society: The Link Competitive Advantage and Corporate Social Responsibility* (2006), and *Shared Value: How to reinvent capitalism – and unleash a wave of innovation and change* (2011). Despite its grandiose subtitle, the second article does not offer insights that were not already present in the 2006 article.

Porter and Kramer do not define the business enterprise or the business corporation. They do affirm the indispensable role of business in society. At the closing of *Strategy & Society* (2006) they say:

By providing jobs, investing capital, purchasing goods and doing business every day, corporations have a profound and positive influence on society. The most important thing a corporation can do for society, and for any community, is to contribute to a prosperous economy (2006, 14).

With their notion of “shared value” Porter & Kramer parted ways with Friedman: For Friedman CSR (Corporate Social Responsibility) was a distractor at best from the purpose of the corporation; at worst it was a sort of embezzlement of private investors for the promotion of purported “public goods” or for public benefit. Porter & Kramer also found the usual justifications for CSR faulty (moral obligation, sustainability, license to operate, and reputation) Contrary to Friedman though, they do not assume a fundamental opposition between helping solve social problems and a sound business strategy for profit: From a strategic point of view, is it possible to take an initiative that has strategic value —since it results in a competitive advantage— and at the same time contributes solving some specific social problem. This addition of strategic value to social benefits is what Porter & Kramer (2011) called “shared value”. From a Platonic perspective, this amounts to the awareness that, by its very operation and when fulfilling its proper function correctly, the business enterprise and the business corporation contribute to the common good.

Unlike the texts reviewed so far Thomas Hutzschenreuter essay *Das Unternehmen als Versuch und Institution (The Business Enterprise as and Attempt and Institution)* (2021) does address directly the question about the definition of the business enterprise (2021: 15) He thinks that the essence of the business enterprise is to be an attempt (*ein Versuch*) and that the manifestation form (*Erscheinungsform*) of this attempt is the institution of the business enterprise.

Hutzschenreuter faces a conundrum, that he wants to make sense of: How could business management administration (*Betriebswirtschaftslehre*) be a science, if its proper object i.e., the business enterprise, exists and operates within conditions of radical uncertainty and risk? Hutzschenreuter shows that many theories of the firm avoid this conundrum by assuming that the business enterprise does not operate within conditions of radical uncertainty. For Hutzschenreuter this is a hypothetical view of the operation of the business enterprise. The knowledge gained from this hypothetical view is only “as if-knowledge”; it does not apply to the real world.

Hutzschenreuter searches for practical knowledge about the business enterprise, knowledge that applies to a practical object – an object dependent on human actions and interactions with the world; an object marked by contingency. The business enterprise operates in conditions of radical uncertainty. Radical uncertainty is the consequence of freedom, chance, and time (2021: 28-40). We take this as an imperative to *dynamisches Denken*: to think about the business enterprise in its very operation, “in movement”. The business enterprise is and must be defined, by what the business enterprise does. Just as it is inadequate to try to understand what a bicycle is by analyzing it in stillness, it is misleading to try to understand the business enterprise without considering how and under which real, practical conditions it operates.

Several elements from Hutzschenreuter’s essay are relevant to our theory: The business enterprise is conceived as a continuous attempt at generating a profit by creating value: An idea, plus capital investment, plus work, turns into a good or service to be sold at a profit in the open markets and results in the return of the investment plus profit (2021: 67). This return can be invested again in another capital cycle or can be retired from the cycle as wealth. The capital investment cycle defines the existence, survival, and operation of the business enterprise. Institutionalization of the attempt of the business operation is indispensable to sustain profitability in the medium and long term (2021: 48-49, 70).

For our understanding of the business enterprise, an insight from Akerlof and Shiller (2015) is also central as it counterbalanced

a bias in Friedman's (1970) essay. Commenting on the pretense of promoting the public good through the business corporation and beyond the political realm with its democratic procedures to allocate resources, Friedman (1970: 4) asserts: "In a free society, it is hard for "evil" people to do "evil", especially since one man's good is another's evil".

The idea is that in a free market, define by competition when one business wins, another loses, and so "one man's good is another's evil". But as long as this competition takes place within the legal framework and the constraints of morality no issue related to justice could arise. Friedman paints a deceptively benign and rosy view of the free market. Competition by itself, and even with morality supported by society, and law enforced by the government are not enough of a safeguard to prevent serious abuses within a free market. Precisely the opposite is the case, free markets are ripe for abuse and manipulation, as Akerlof & Shiller (2015: vii-xvi) showed: Competitive pressures within a free market will continuously feed a dynamic of "phishers" and "phools". "Phishers" are those actively seeking profit opportunities at the expense of others; "phools" are those "phished" and manipulated by phishers, who give money away for things they could not possibly want. Akerlof & Shiller (2015: vii) called this state of affairs prevailing in a free market "phishing equilibrium": In a free market, every opportunity to make a profit at the expense of others will be realized by someone.

The business enterprise is defined by the profit compulsion: the imperative to achieve profit or else cease to exist. This compulsion is not exclusive to the business enterprise, it applies also to the criminal enterprise. We need other criteria to distinguish between these two entities.

After reviewing these authors, we have now a somehow miscellaneous collection of elements for a definition of the business enterprise. Before we offer our definition though, we would like to dwell briefly on our Platonic view of the genesis and purpose of the institutions in general, since the business enterprise is a one of those institutions.

Every institution is created by the free interaction of people in time and space, aiming to achieve certain common goals within a specific normative framework. We need institutions because of our nature, as a consequence of the kind of beings we are. Like many other animal species, we need certain kind of association to survive. Unlike any other animal species, we are capable of establishing this association through lasting institutions. Moreover, we need to build lasting institutions as we do not content ourselves with being part of a herd or a swarm. We aspire to something beyond mere survival.

As a species, human beings have been (apparently) the most successful one on earth. Our ability to adapt ourselves transforming almost every ecosystem into a habitat and a home is unmatched by any other animal species. These powers of collective adaptation and transformation of the environment strongly contrast with our extreme vulnerability and weakness in isolation. Few human beings are able to survive beyond the realm of civilization, that is, outside the realm of our institutions; almost none are able to thrive in such circumstances. We need to collaborate with one another to thrive. This idea of vulnerability and mutual dependence is also a Platonic insight (*Resp.* 369b, 5-7), and in recent years the idea has been highlighted by the work of MacIntyre (1999).

The different institutions are practical answers to our vulnerable and fragile human condition. Each basic institution in our society tries to address some need or limitation inherent in our nature. Each one collaborates in a singular way to our human development. Institutions are practical answers to practical questions; answers that remain imperfect and in need of correction and improvement. At the same time, institutions are also heavily influenced—but never wholly determined—by a certain context: by the time and the circumstances within which they were originated. Institutions also evolve and change for the better or worse through time.

It is a common experience that people come together to start new institutions of different sorts: religious, academic, political, artistic, entrepreneurial, etc. This fact may mislead us to think that

conscious reflection about the aims and means of an institution always predates institutional practices, that the existence and functionality of an institution needs to be conceived first in theory and only then could it be enacted for societal purposes. We may assume that institutional theorization —defining the goals, norms, principles, and ideals for an institution— precedes not only ontologically, but also chronologically, the founding of any institution. This is a mistake incurred for example by Moore (1950: 198). On the contrary, urgency and dire need usually give birth to new practices and eventually institutions. Institutional practices precede thinking and theorizing about institutions. Many institutions sprang “spontaneously” through the simple interaction of the members of a given society in a particular moment, without a previous theory to back them up.

The process of establishing and institution could be reconstructed in this simple way: some human group tries to, collectively, address a practical problem. To do that, the members of the group organize themselves in institutional ways (i.e., seeking the achievement of collective goals through collective actions through time). Only then, if ever, they stop to think about philosophical and normative questions regarding the defining framework of the given institution. Practice precedes theory. Many institutions or institutional practices came about in this way: commerce and trade precede economic studies; the polis, along many other varieties of political organization precedes political philosophy and law studies; schools and other educational instances long precede any philosophy of education or pedagogy; the newspaper precedes the media studies; the business enterprise is much older than any philosophy of business.

Retrospectively, we should be able to find out what the practical question was, to which a specific institution was intended to be an answer for, and to evaluate both the goals and goods pursued by the institution, and the satisfactory or unsatisfactory achievement of those goals and goods. The notion of the common good is the fundamental criterion to evaluate the goals and goods of an institution and its performance. Our notion of common good derives from the Platonic notion of justice as explained for example in *Respublica*,

where a human group is ordered through different institutions, each of them contributing uniquely to the common good and bringing about the virtue of justice in the polis (*Resp.* 427d-444e; specially 443b1-2).

The realization of the common good is the collective enterprise of generating and preserving the conditions that allow us to flourish in our personal way. These conditions are mostly achieved when every institution fulfills its proper task in a correct way. We need different institutions in order to be educated, to discover and to foster our talents and, eventually, being able to define our personal project and strive after it. An important aspect of the personal flourishing consists precisely in being able to contribute to the common good through institutional practices.

For Plato each genuine craft, art, and profession is perfect and complete insofar as it achieves its unique and specific contribution to the good of the person and to the institution that receives the benefits from the practice, so as the patient is cured by the art of the doctor. The practitioner by benefiting through his or her practice another person, also contributes to the common good: all the crafts, arts and professions serve at the same time the common and the personal good (*Resp.* 341c-342e).

Each craft, art or profession performs a double function: It plays its own and unique part in the perennial task of building, sustaining, and developing a just society. These practices collaborate in bringing about the conditions for the flourishing of each human being in her or his community. Also, each craft, art or profession could be a vocation, a particular way to develop a part of our talents in service of the whole society. This is also a Platonic view:

The practice of medicine is the standard example of this idea. Many institutions are involved in the lengthy process of educating someone to become a doctor; many more institutions are needed to allow the doctor to exercise his or her profession properly. Not every form of collective action and organization brings about the proper conditions for human development. Throughout history examples abound of social organizations that privilege only some of its members while they imposed heavy burdens on others. Slavery is

the gravest example: a social structure that annihilates basic human liberties of the slaves in order to increase the general productivity and ease the life conditions of the slave-owners.

Slavery is not directed to the common good and does not qualify as genuine institution. It represents a *simulacrum*, a corrupted institution. Just as in the classical platonic theory of *Respublica* a demagoguery would be a corrupted form of a democracy, a business based on slave or child labor would be a pseudo-business, a corrupted form of the business enterprise (*Resp.* 560d-561a; 562a-563e). The notion of the common good helps us to correct, improve or eliminate any given institution, if we find that it serves no relevant purpose, or that it goes against the common good. The common good works as a conceptual paradigm to order the institutional chaos into a cosmos.

To harmonize and articulate the variety of institutions in our society we also need a paradigm of the common good: many conflicts arise out of the frictions and collisions between the demands of different institutions on the same persons. However, not only the institutional goals and practices are to be examined and corrected according to a paradigm of the common good, the paradigm itself may and should be constantly reexamined: just as a practical institutional answer to a practical question could be wrong, so could the theoretical paradigm that guides the examination of the institutions be itself a misconception in need of correction.

The notion of the common good is a historical notion developed throughout the ages. It must be subject to a constant refinement and correction. It is a notion that could suffer evolution as well as regression. The ancient Greeks thought for instance that slavery was mandatory by nature and beneficial for the common good. Friedman assumes that capitalism could not pose any threat to democracy, contrary to the dangers that Akerlof and Shiller mentioned. It is of course possible that we now take some ethical assumptions for granted and find out in the near or distant future that they were totally unjustified and plainly wrong.

The common good is a prismatic notion with many complementary dimensions. To illustrate: the prismatic functions of the family are to cultivate intimacy and to learn the virtues of donation and

gratitude. Although entirely possible, it is harder for a person to grow about these virtues without the support of the family; it is questionable, though, that intimacy could ever even exist outside the institution of a family. No single institution could aspire to satisfy all the dimensions of the common good. We need different institutions to strive after its different dimensions of the common good. Each of our basic institutions has a proper and specific function that only such institution can perform in an optimal way.

The notion behind this understanding of “function” is the *ergon* (ἔργον), as the specific performance, task or deed of a given being that bring about a desired outcome: the goals or goods proper of each institution (*Resp.* 352d8-353b13; 374b6-c2). Coase asked why there are firms (business enterprises) if we have markets; we ask what the specific contributions of the business enterprise are, that no other institution can provide: What is the ἔργον of business?

Plato explored the conditions, institutions, laws, and uses that any polis would need to flourish as a political body and, offer its citizens the possibility of personal and political flourishing (*Resp.* 368e-383c). Similarly, we believe that the business enterprise is key for modern society because it contributes five specific kinds of goods indispensable for any decent and prosperous life. Those goods are innovation and efficiency; economic value and profit; employment; investment opportunities; and a counterbalance to political power.

Business are the primal promoters of innovation and efficiency in delivering services and goods, that governments and the non-profit sector are unable to provide. Businesses need innovation and efficiency to survive and thrive. For Coase (1937), the firm in order to exist must offer products or service from a better quality or at a lower price that comparable offers in the market. This fact compels the business enterprise to innovate and improve efficiency. For Hutzschenreuter (2021: 93) continuous innovation and efficiency, along with profit are the common activities of the business enterprise.

Economic value and profit are a second kind of goods provided by businesses. Without businesses, the government will not be able to collect enough taxes to perform its functions, and there would be

no financial surplus to support the non-profit sector. The primacy of profit is a powerful insight of Friedman (1970). According to Coase (1937: 390) and Hutzschenreuter (2021: 49), the opportunity to achieve profit is a motivation for the entrepreneur to establish a firm and enter the market. Freeman's (2010) view is that the harmonization of the interests of the stakeholders is the best strategy for long-term profitability. For Porter & Kramer (2006), profit is also essential and could be generated by benefiting society.

Businesses are also the primal origin of jobs and employment. According to Coase (1937) and Hutzschenreuter (2021), a business is established, whenever an entrepreneur and collaborators voluntarily join forces for the sake of a common working project that is profit oriented. Part of the profit is used to pay the collaborators. Without the jobs provided by the business enterprises, the government and the non-profit sector would be unable to supply the jobs required by society.

The business enterprise constitutes also the most relevant investment venue. Without businesses, the number of investment opportunities would be significantly diminished. For Hutzschenreuter (2021: 48-49) the essence of the business enterprise is its ability to grow capital through its transformation by the entrepreneur into resources, resources into products or services, and products or services again into capital, in the process of value generation (*Wertschöpfungsprozess*).

Investors need the business enterprise to preserve and grow the value of their wealth: Outside the business capital cycle, wealth is continuously losing financial value at least for three reasons, two of them easily measurable. The first is inflation: the value of money tends to decrease in a normal growing economy for a variety of reasons, among them the increase in demand due to an increase in population. The second reason is the saving costs: money has to be stored somehow, either as cash or in an account. Any storage method comes with costs, and so, these costs must be deduced from the original amount. And the third factor is the opportunity cost: wealth not transformed into capital loses the opportunity to increase. This loss of potential financial gain is usually pondered using as a

benchmark the US treasury Ten-year bond, which is considered the safest investment. All possible investments —from sovereign debt to commodities— are dependent on the profit generated by the business enterprise.

Finally, the business enterprise is an effective counterweight to government power. Friedman (1970; 2020) was well aware of this counterweight effect. He thought that the government tended to have the upper hand, but recent experiences showed that some corporations are so big and powerful that no single government can control them. Power controls power. Economic power controls government power, and vice versa. In a healthy business environment, the existence of a multitude of small, and middle-size business alongside the big corporations empowers the business owners and their employees. The business owners have the economic muscle and the political will to restrain government efforts to extend its authority and influence beyond its proper boundaries. The employees are also empowered, since they do not depend on trinkets, subsidies, and giveaways from the government to assure their economic subsistence. They are neither dependent on their current employers since they are free to search for another job if many options are available. A healthy business environment guarantees freedom of enterprise and competition, and it favors the rule of law.

The five contributions of the business enterprise to the common good cannot be matched adequately by any other institutions. These contributions justify the existence of the business enterprise. They answer the question about *why* we need the business enterprise.

Following the Platonic notion of *ergon* (ἔργον), we understand that the proper activity of the business enterprise is an activity that either only the business enterprise can perform, or that the business enterprise performs better than any other institution (*Resp.* 374b6-c2; Stemmer; 1988, 1997, 1998, 2005; Gómez-Lobo, 1989). If the business enterprise fulfills its function, the mentioned desirable goods must be achieved. To achieve those goods the operation of the business enterprise needs to comply at least with the five conditions: it must be profitable; profitability must be achieved through the offering of goods

and services that benefit society; it must provide employment in accordance with human dignity; it must be sustainable; and it must pay taxes.

Following Plato just as there is an inherent ethic to the practice of medicine or the practice of education, there are also inherent ethics to the business practice. Ethics in business is not an external addition coming from some external instance, such as religious authority or the state. The analogy with the medical practice is again helpful: to be a good medical doctor implies putting the health and the quality of life of the patient as the ultimate end of the practice (*Resp.* 342a-c). To proceed otherwise would be unethical and would also cause the medical doctor to miss her goal as a professional. We need to briefly explore each condition to understand its collective implication, starting with the most important, the profit compulsion.

An unprofitable business enterprise with no prospect of becoming profitable should, within a sound business environment, dry out of investment and cease to exist as Hutzschenreuter (2021: 84) makes clear: “Without capital, there is no business enterprise”.¹

Only because of its cash flow and inherent compulsion after profit can the business enterprise be the origin of economic value and financial gain. The earnings of the business enterprise are transferred to the rest of the institutions through taxes, salaries, dividends, revenue, and other expenses (Schreiber, 1969: 68).

It is dangerous, however, to reduce the operation of a business to its profitability. A business must be profitable, but it is not enough to be profitable to be considered a business. The profit compulsion is also present in criminal enterprises, it is their main purpose and motivation. The criminal enterprise only coincided with the business enterprise in the imperative of the profit compulsion, in all other defining aspects of the business enterprise it is its opposite: Criminal enterprises are not productive, but parasitic activities. They achieve profit by stealing from others and by destroying genuine business venues. Criminal enterprises are also parasitic in the sense that they are unsustainable in the long run. They affect the life of society for

¹ “Ohne Kapital kein Unternehmen”. This and all translations are ours.

the worse. They do not offer meaningful and safe employment; they do not pay taxes either.

The business enterprise aspires to generate profit by benefiting society with the selling of products or services in the open free market at a profit. On the contrary, *criminal enterprises achieve profit by destroying value*, in the sense of destroying capital, assets, and oftentimes the very essential conditions for the prosperity of a society: peace and the rule of law. This essential aspect makes the criminal enterprise only a “simulacrum” of the business enterprise in the Platonic sense (*Gorg.* 464d3-c2; *Resp.* 598c5-599b8; *Soph.* 266b-267b). It is a matter of utter importance *how* the profitability of a business enterprise is achieved. The other four enumerated conditions come to light when we reflect on this question.

The business enterprise must serve society through its activity and not harm it to serve the common good and be the force of the free economy (Schreiber, 1969: 72). If the profit does not generate shared value in the sense of Freeman, Porter & Kramer it becomes a parasitic profit, gained at the expense of others. The profit achieved through shared value benefits all the stakeholders, many of them involved in the process of value creation. It benefits the clients, investors (owners, shareholders, lenders), employees, but also suppliers, and society at large by paying taxes and creating jobs.

Many profitable legal activities, that we would usually consider “businesses”, do not classify as such if judged by this standard. The fact that they are legal does not imply that they benefit society. One may argue that harmful goods or services manifestly “satisfy” the desire of the buyers. But all sorts of profitable criminal activities (such as trafficking persons, or sexual exploitation of minors) also “satisfy” the desires of a certain group of buyers. This condition shows a shortcoming of Friedman’s position. He asserts:

That responsibility [the responsibility of corporate executives] is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom (Friedman, 1970: 1).

Criminal profitable activities such as slavery and colonial exploitation were legal and according to “ethical custom”: they were accepted by the majority of certain populations. Big fortunes were made thanks to slavery and exploitation of the natural resources and the indigenous populations in places like German Southwest Africa (now Namibia) or Rhodesia (Guyatt, 2021; Hammer, 2021).

Like profit, innovation and efficiency are not unqualified good either. The innovative use of junk bonds by Michael Milken at Drexel Burnham Lambert to finance M&As during the 80s resulted in the destruction of several business corporations and inside trading. The mortgage-backed securities first used by Solomon Brothers in the 1970s were among the financial innovations at the core of the 2008 crisis (Kay, 2015: 59-61; Geisst, 2006: 122-123, 231). An innovative spirit and entrepreneurial drive were shown by Joaquín Guzmán Loera, “el Chapo”. Through the forced labor of kidnapped teenagers, his “Cártel del Golfo” built the first tunnels underneath the Mexican-American border to traffic drugs on a massive scale (Reel, 2015).

Without businesses, the other institutions would neither have the means to pay for their employees nor be able to supply employment to most of the working population. Employment in the business sector sustains employment in the rest of the institutions. But not every working activity is employment according to human dignity. Coase (1937: 391) mentions that the voluntary association between the entrepreneur and the employees, constitutes the business enterprise and that it has clear limits derived from the nature of the business operation, limits in time, attributions, and remuneration: The job contracts could be for a definitive or indefinite time duration; they cannot be permanent. There is a limit on working hours. This limit has grown since the nineteenth century and typically allows for forty working hours a week. And there are limits to the attributions and authority of the entrepreneur, owner, or manager.

According to Freeman (2010: 25) the employees are one of the most relevant stakeholders, without their commitment to the common project of generating value, long-term success is impossible to achieve. This commitment is not to be expected if employees’

human dignity is not respected and their development through work is not promoted. For Hutzschenreuter (2021: 126-127) the work of the employees is among the required resources to start a business enterprise. They are among the providers of external capital insofar as the employees have a right to claim remuneration for their work, and this remuneration typically happens after a period of work is fulfilled (a day, a week, a month, etc.) and so, it is in a way a form of financial credit. The employees “invest” in the business enterprise by learning specific skills linked to the competencies of that business enterprise, and they may become less agile to work in other firms (Hutzschenreuter, 2021: 131-132). Coase (1937), Freeman (2010), and Hutzschenreuter (2021) show that respect for the dignity of the workers is indispensable for the optimal functioning of the business enterprise and its long-term success.

Generating long-term shared value also demands sustainability. Profitable but parasitic operations are inherently unsustainable, in one or more of the three sorts commonly referred to as sustainability: financial, ecological, or social (Hartmann & DesJardins, 2011). Profitable activities such as kidnapping or extortion are socially unsustainable.

The current dispute between Exxon Mobil and one of its former shareholders, the Rockefeller Foundation, illustrates how the ecological cost of a profitable business may become so high as to wreck up its entire business model. The ecological cost of consuming the oil reserves that Exxon has already at its disposal may be the complete extinction of some ecosystems (Kaiser & Wasserman, 2016a y 2016b).

Financial sustainability is a given for a business. There is one nuance, though, that comes to mind when thinking about financial sustainability, and that is the time perspective. A simulacrum of a business operation may be in the short term extremely profitable while utterly unsustainable in the long term. That is precisely the case with the classic Ponzi scheme like the one conducted by Bernie Madoff. The original scheme engineered by Charles Ponzi offered juicy short-term earnings by exploiting arbitrage opportunities in foreign postal reply coupons that could be redeemed in the

US (Frazer, 2006: 340-342). In an ironical and bold reversal of this historical origin, Madoff conducted his Ponzi scheme as a long-term investment apt to manage public pension funds and endowments. Both schemes were inherently unsustainable from their respective inception.

The last condition of paying taxes is controversial: Neither persons nor corporations like to pay taxes. If the government is marred by corruption even a low tax rate is perceived as unjust by the taxpayers. However, the business enterprise needs a well-functioning government to operate and thrive, and taxes are indispensable for the government to fulfill its functions. Even Friedman (1970: 2) considers the imposition of taxes and the expenditures of tax proceeds as basic governmental functions.

A well-functioning government performs at least five functions relevant to business enterprises, the first is the establishment of the rule of law (Delalande, 2011). Thanks to the rule of law rights are respected (property rights among them), contracts are enacted, and rules are enforced. Without the rule of law, no business operation could be institutionalized and become a business enterprise. The protection of the individual, corporate or intellectual property is essential for a business to be competitive. When the rule of law is weak contracts are not served, earnings are not safe and there are no incentives for new investments (Bingham, 2010; Willke, 1996).

The business enterprise also needs the government to have leverage in international relations —from general advice and rules of commerce, to trade agreements and international institutions to deal with conflicts related to trade. Thanks to taxes and a good relationship between the business sector and the government. investment possibilities in infrastructure are open to both. Infrastructure projects that no business enterprise, not even a corporation, can develop by itself. Investments that are too expensive in the short-term, but very beneficial for the business sector and society in the long term. Development projects such as airports, train lines, ports, roads, etc. (Srinivasan, 2017)

Taxes also sustained the social safety net that greatly diminish the costs of the unavoidable shifts of “Schumpeterian” creative

destruction characteristic of the business sector and the economic cycles. Such a safety net adds certainty to the lives of millions of workers and their families, a domestic certainty that translates into political stability and is beneficial to the business sector. Finally, taxes alleviate the social costs that the negative externalities of the business operation inflict on society.

Taxes remind us of a basic truth remarked by Coase (1937), Freeman (2008), Porter & Kramer (2006, 2011), and Hutzschenreuter (2021): each business enterprise exists and operates in a given place and is related to particular communities in many forms. Employees and clients always belong to a specific community. By paying taxes, the business enterprise acknowledges the bond with these communities, regions, and countries. Paying taxes is a direct and unambiguous way to collaborate for the common good.

A Higher Hypothesis

We are now on a position to formulate our concise definition of the business enterprise: The business enterprise is an institution constituted by the free association of persons with a common long-term perspective, and the common goal of bringing forward a process of generating value that culminates in the offering of products or services to be sold at a profit in the open markets, thereby generating shared value for all the stakeholders.

The business enterprise is a continuous attempt, as Hutzschenreuter (2021: 93-105) made clear, it cannot be guaranteed that the generated product or service could be sold at a profit. It encompasses common activities and extraordinary activities. Innovation and efficiency are common activities related to the repetition of the attempt to follow an established plan (*planbasierte Wiederholung*) The extraordinary activities are related to unexpected opportunities, like mergers or acquisitions, new technologies, or regulations. The common and the extraordinary activities are profit orientated. Hutzschenreuter concludes:

The survival of the business enterprise means thus the continuation of the attempt. Capital gains and profitability arise from efficiency and innovation related to the ordinary activity [of the business enterprise] and from unexpected opportunities related to the extraordinary activity [of the business enterprise] (2021: 105).

With this central definition in mind, we can now define related entities, beginning with the entrepreneurship: An entrepreneurship is the previous development stage of a business enterprise. It shares the same goals and characteristics of the business enterprise, but it lacks the stable institutional character. The entrepreneurship is also an attempt at generating value through an association and by selling a product or offering a service at an open market. In contrast with the business enterprise, the attempt of the entrepreneurship has not been successful yet or has not been continuous enough. The capital cycle has not been closed at a profit or is not yet institutionalized to such a degree as to be attempted repetitively and routinely. Again, Hutzschenreuter view on the matter is clarifying:

A conceivable benchmark for the establishment [of the business enterprise] is the realization of a positive capital gain, which is assumed to be necessary, though not sufficient, to obtain the support of the capital providers. With the repetition of the attempt, the business enterprise achieves this state in a positive case; in a repeated negative case, the continuation of the business enterprise is at some point abandoned. In business practice, therefore, the achievement of break-even has paramount importance. To simplify matters, break-even can be used as a dividing line to distinguish between companies that are not (yet) established and those that are (2021: 102).

This is a simplifying view of a complex matter. Some business become “zombie corporations” and remain operational indefinitely at a loss. “Undead” or “zombie” businesses have not yet filed for bankruptcy but are unable to cover their interest expenses with their earnings before tax. They are neither “alive” since they do not

operate at a profit, nor “dead” since they are not in the process of liquidation (Buttonwood, 2017; Borio, 2018; Andrews, 2017; McGowan, 2017; Harford, 2018; Frühauf, 2020; Tett, 2020). Here it is useful to recall Coase’s (1937: 392) warning about clear-cut distinctions: “Of course, it is not possible to draw a hard and fast line which determines whether there is a firm or not”.

The business corporation on its part, is a specific sort of the business enterprise, it does not belong to a different Kind since it has all the characteristics of the business enterprise, and it is also a continuous attempt and an institution. The *specificum* of the business corporation is the division of ownership and management: those who own the business are not the top management of the business. This separation of ownership and management brings the agency dilemma about, as Friedman (1970) mentioned – the financial interests of the top management are not necessarily aligned with the long-term interests of the owners. The agency dilemma is as old as the business corporation, Ludwig von Mises already defined it:

Where there is the case, that the directors’ other interests have than a part, the majority or all the shareholders, the business is conducted against the interests of the company. For in all joint-stock companies that do not wither into bureaucratism, the real rulers always conduct business in their own interest, whether this coincides with the interest of the shareholders or not. The fact that a large part of the profit made by the company accrues to them and that the misfortunes of the company affect them first and foremost is an inevitable condition for the prosperity of corporations (1932: 187).

There are public business corporations —corporations that have outstanding shares in the open markets, primary and secondary; and private business corporations— corporations owned by shareholders, but with no shares outstanding in the open markets.

On the contrary the criminal enterprise does not belong to the Kind of the business enterprise, the entrepreneurship, or the business corporation. The criminal enterprise is a simulacrum entity of

the business enterprise. The purpose of the business enterprise is to achieve profit by generating shared value; the purpose of the criminal enterprise is to achieve profit by destroying value. This is an essential difference. The criminal enterprise is in a Platonic sense the corruption of the business enterprise, and therefore is detrimental for the common good, since its very operation harms society.

Every business enterprise benefits society by its constitution—the free association of the entrepreneur and the workers—, its proper operation—generation of value—and its outcomes: services and products that generate shared value. If the product or the service is harmful to the consumers and society, the business is falling short of its regulatory ideal. Many businesses sacrifice value for the sake of profit. Akerlof & Shiller (2015) list a series of business sectors or business strategies, with harmful products and services: “Big Pharma” in the US, or “Phood” (junk food), tobacco, and alcohol are some cases. An internal Nestlé presentation leaked to the *Financial Times* in 2021 (Evans, 2021) stated that “60 percent of its mainstream food and drink products do not meet a recognized definition of health” and that “some of our categories and products will never be ‘healthy’ no matter how much we renovate”. The numbers in “food companies” like Pepsi or Mondelez are surely significantly higher.

The average age to start smoking daily in Mexico is 13.1 for women and 12.8 for men (ENCODE, 2014). In the US the average age for a new smoker is 15.3 (Howard, 2018). Generally, 9 out of 10 smokers started before reaching the legal age of 18. The “business model” of the tobacco industry is based on teenagers smoking before they are psychologically mature and legally permitted to take that decision. The same holds for alcohol consumption: the average age of starting drinking in Mexico is 12.8 years for women and 12.4 years for men (Cruz, 2018). In the US the average age is 17.1 years, but there the legal age is 21 (Caetano, 2014). The human brain is mature enough to process alcohol on average at 22.

To dismiss the problem of junk food, tobacco consumption at every age, or alcohol consumption in excess or underaged lightly, because “surely, those big corporations are business enterprises” is a mistake. The defining characteristic of the criminal enterprise is to

generate profit by destroying value. If a legally established business corporation generates this same effect, the whole operation must be reviewed. Hard questions must be asked by the authorities and civil society.

It may be argued that our position is useless for any “real” business; that no business in the “real world” can fulfill these conditions. Every ideal and formal argumentation in the Platonic tradition faces this kind of critique about the gap between the desirable theory and the customary practice. The critique misunderstands the role of the business paradigm as a compass and a corrective. Certainly, the business enterprise is in constant need of both *guidance* and *correction*. The conditions already stated serve to evaluate how well a certain business is performing its complex mission. As with every ideal, this one remains aspirational through time. It is impossible to fulfill the conditions fully and permanently. But by having a model we can come closer to it and therefore correct and improve the operation of our business. This is the approach taken by the Socrates of *Respublica* in the famous closing lines of Book IX: the ideal polis that Socrates and his companions have described in the previous books, may never actually exist here on earth: “But, said I, perhaps there is a paradigm laid up in heaven, for whom may want to look at it, and by looking at it make himself [configure himself, i.e. the powers of his soul] after it” (*Resp.* 592b3-4).

To be profitable is essential for the business enterprise, but it is wrong to assume that profitability alone exhausts the essence of business. The business enterprise is a prismatic entity, able to perform different functions and generate several desirable outcomes. When thinking about human institutions, the “Charybdis danger” of reductionism and the equally destructive “Scylla danger” of hypertrophy must be avoided. Curiously enough, they tend to come together, as in Homer’s *Odyssey*. If we accept that the only function of business is to be profitable, it becomes easy to believe that profitability should be the primal goal in every other institution. By the same token, a business-led only by the profit motive may outgrowth its proper size and become inefficient, unable to innovate and serve its clients. This hypertrophy of growth without limits generates monopolies and enormous concentrations of power that are toxic to the business ecosystem.

Our five conditions protect the business enterprise against both dangers of reductionism and hypertrophy. They are not imposed from the outside, from another logic, and by a higher moral authority. They do not fall into the false dichotomy between egoism and altruism and the corresponding false dilemma of either achieving a profit or being beneficial to society. The conditions arise “from inside”, from the design and inner logic of the business enterprise. The conditions are indispensable, then only if the business enterprise aims at being the *real thing*—and not merely a shameful imitation, a simulacrum, or an apparition, as the shadow plays in Plato’s cave—will it ultimately fulfill its “business” in society.

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