Narcissistic Behavior and the Economy: The Role of Virtues

Several prominent commentators and academics have asserted that the current global financial crisis was caused, in part, by the narcissistic personality disorder (NPD) of corporate leaders who substituted robust risk management for greed and personal gains by promoting self-serving and grandiose aims. In order to better understand and deal with NPD, the notions of individuality and personality are explored in arguing that the narcissist’s moral failings and loss of sense of reality stem from a spiritual disease, namely, an intellectual pride and selfishness of the will. By cultivating both the intellectual and moral virtues, one can transcend the limitations of one’s disordered personality through an intellectual and moral effort motivated by the love of what is true and good. What is therefore required for the proper functioning of the economy is not only financial and social capital, but it must be built on the practice of the virtues.

Narcissistic Behavior

Several prominent commentators and academics have recently accused Ivy League schools of breeding narcissistic leaders and executives who have been instrumental in fuelling the global financial crisis. The director of economic policy studies at the American Enterprise Institute, Kevin Hassett, argues that though firms did a terrible job in assessing risks, it is precisely those in charge who exemplified narcissistic mentalities manifested primarily through their grandiose sense of entitlement and their lack of humility (Hassett 2009). In a Times online article entitled: “Harvard’s Masters of the Apocalypse,” Broughton (2009) makes similar claims that MBAs (acronym for Mediocre But Arrogant,
Mighty Big Attitude, Me Before Anyone, and Management By Accident) are a swollen class of jargon-spewing, value-destroying financiers and consultants who have done more than any other group of people to create our economic misery and concludes that MBAs and business schools need a dose of modesty. Chris Bones, dean of Henley Business School, in addressing the crisis of confidence in business leadership, suggests that the crisis stems from the creation of a narcissistic cadre of senior executives who knew no right but their own perception, and who brooked no criticism or check on their ambition (Bones 2009). In a panel discussion at the University of Darden Business School, professor Ed Freeman pointed out that ignoring ethics and responsibility is what drove the financial crisis: “Finance without responsibility is saying I can do whatever I want. But we must go out and create value in a sustainable way. If we don’t address the theoretical problem—guess what? We’re going to have this again. We have to put ethics at the center of business education” (Freeman 2008). Harvard Business School leadership guru, Bill George, remarked that the United States’ financial crisis was not caused by the failure of the complex instruments but by the failure of leaders on Wall Street who all too often sacrificed their firms’ futures in order to maximize their personal gains (George 2009). It seems that greed and personal gains were substituted for robust risk management. Brunell and Gentry (2008) describe how narcissists have the necessary skills and qualities that propel them into leadership roles, and when they are in charge, other aspects of their makeup (for example, the feeling that rules do not apply to them) can have disastrous consequences. Conger (2002) highlights the dangers and temptations where narcissistic leaders can lose touch with reality (for example, a strong sense of self-importance may blind them to divergent points of view or to whistle-blowers, thus leading to poor strategic and organizational decision-making as witnessed in the case of Enron and WorldCom) by promoting self-serving and grandiose aims. Twenge and Keith Campbell (2009), drawing from extensive empirical research and cultural analysis, suggest that the financial crisis is, in part, a consequence of the narcissistic cultural epidemic from which the United States is suffering. Interestingly, Baumeister (1999), in reviewing the literature on crime and violence, concludes that contrary to popular beliefs, like many corporate leaders, outlaws tend to often display narcissistic personality disorder (NPD). Narcissistic personality disorder is characterized by an extravagant sense of self-importance, a sense of superiority, self-centered and self-referential behavior, exaggeration of talents, boastful and pretentious behavior, grandiose fantasies of unlimited success, the belief that one is so special or unique that one can only be understood by equals, an unreasonable sense of entitlement, a yearning for
attention and admiration, a willingness to exploit others, lack of empathy, envy and the belief that others envy him or her, and arrogant behavior (Ronningstam and Gunderson 1990, Cohen 2005).

It seems that the growing and complex ethical environment is mirrored by the increase in the variety of personal and mental disorders. The first edition of the *Diagnostic and Statistical Manual of Mental Disorders* (published in 1952 by the American Psychiatric Association) was a pamphlet that listed sixty disorders; the current fourth edition (published in 1994) has hundreds of disorders including subcategories and combinations (the list includes disorders associated with adjustment, anxiety, dissociation, eating impulse-control, mood, sexual, sleep, psychotic, somatoform, substance, and personality). Kets de Vries and Miller (1986) further note that pathological organizational types seem in many ways to mirror the types of dysfunctions common to the most widely discussed neurotic styles among individuals. Until recently, NPD had not been the subject of many studies and had received relatively little empirical attention. Naturally, the fields of psychiatry and psychology have played a dominant role in furthering our understanding of NPD, especially as it relates to diagnosis, leadership, and factor structure (Brunell, Genry, Campbell, Hoffman, Kuhnert, and DeMarree 2008; Buono 2001; Corry, Davis Merritt, Mrug, and Pamp 2008; Gabbard 2009; Goldman 2006; Goodie 2009; Horwitz 2000; Kay 2008; Miller, Keith Campbell, Young, Lakey, Reidy, Zeichner, and Ronningstam 2009; Pryor, Miller, and Gaughan 2008; Russ, Shedler, Bradley, and Westen 2008; Trzesniewski, Brent Donnellan, and Robins 2008; Twenge, Konrath, Foster, Keith Campbell, and Bushman 2008a; Twenge, Konrath, Foster, Keith Campbell, and Bushman 2008b).

Empirical studies have supported clinical observations that pathological narcissism characteristics can be expressed in temporary traits or in stable, enduring personality disorder manifested as: grandiosity (the most distinguishing and discriminating evidence-based criterion), vulnerable and fluctuating self-esteem, strong reactions to perceived challenges or threats to self-esteem, self-enhancing interpersonal behavior, self-serving interpersonal behavior, interpersonal aggression and control, fluctuating or impaired empathic ability, and exceptionally high or perfectionist ideals and standards (Ronningstam 2009). Reich (1960) sees pathological narcissism as stemming from early traumata (that is, threats to one’s bodily intactness at a time when the ego is not sufficiently developed to be able to master them) and so compensatory measures are instituted. The individual is unable to accept reality and to develop a mature superego. Imbesi (1999) also observes that when placed in structured settings where rules were imposed on them, NPD children had a deliberate, premeditated quality of aggressive impulses.
In analyzing cases, Imbesi (1999) further notes that when rejection and open criticism came from peers, the narcissistic defenses inevitably fail; they resort to further grandiose defenses and consequently get stuck in a vicious cycle.

There have also been increasing interests in narcissistic behavior with respect to the literature in business and organizational behavior that focuses on leadership (Blair, Hoffman, and Helland 2008; Duchon and Drake 2009; Godkin and Allcorn 2009; Hambrick 2007; Higgs 2009; King III 2007; Maccoby 2004). Duchon and Drake (2009) observe that extreme narcissistic organizational cultures are excessively egocentric and exploitive; they will obsessively employ a sense of entitlement, self-aggrandizement, denial, and rationalizations to justify their behavior in order to protect the collective identity. Such organizations cannot behave ethically because they do not have a moral identity (that is, a self-concept organized around a set of moral traits). For example, they may have formal ethics programs but devise rules that feed and exaggerate the culture’s preoccupation of themselves by enabling excuses and wishful thinking. They give the appearance or image of practicing virtue as also pointed out by Roberts (2001) who argues that the ethics of narcissus translates as the desire to be seen to be ethical and is the obverse of “being responsible for.” Kets de Vries and Miller (1986) point out that there is indeed a link between a common mode of organizational failure and the prevalent neurotic style of top executives who create shared fantasies that influence organizational culture.

Although it has its challenges, it is relatively easy to identify and diagnose NPD than it is to find ways to deal with narcissistic leaders who promote self-serving and grandiose aims. Ronningstam (2009) points out that there is evidence within four areas of relevance for NPD that can further guide the discussion about the diagnosis of NPD and its delineating criteria: (1) functional range (deals with impairment, mental disability, and mood and anxiety disorders); (2) phenotype range (deals with NPD traits that fluctuate between assertive grandiosity and vulnerability with shame-driven aggressive reactions); (3) fluctuations and change-ability (deals with narcissistic character functioning, especially grandiosity and changeability toward both improvement and decline); and (4) range of empathic functioning (deals with cognitive empathy in perceiving the expression in others and a theory of mind and emotional empathy that deals with affective recognition of the emotions perceived in others). On the other hand, the verdict is still out on how one deals effectively with a narcissist. It is important to recognize that NPD is not necessarily psychopathological but exists along a continuum ranging from mild to severe in everyone.

Narcissism has been found to be a more complex construct than originally portrayed. Russ and others (2008) have found that persons who possess NPD can
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be divided into three subtypes: (1) grandiose/malignant or oblivious (characterized by exaggerated self-importance, self-centeredness, and self-absorption; manipulation; minimally appropriate remorse; entitlement; aggression and hostility; quest for power and control over others; little appreciation of the impact of his or her behavior on others; and envy); (2) fragile or hyper-vigilant (characterized by overly self-inhibition; disavows to be the center of attention; harbors underlying grandiose expectations for oneself and others; experiences feelings of inadequacy, smallness, anxiety, loneliness, and a grandiosity that emerges under threat; and constantly scans the world for criticisms); and (3) high-functioning/exhibitionistic (characterized by grandiosity, competitiveness, attention-seeking, sexually seductiveness or provocativeness, and possess significant psychological strengths of being articulate, energetic, interpersonally comfortable, achievement-oriented, outgoing, and adaptive functioning; and use their narcissism as a motivation to succeed). Apart from envy, which is a characteristic of the first subtype, in all cases, empirically, it appears that the core features of NPD are interpersonal vulnerability and underlying emotional distress manifested in the tendency to: fear rejection and abandonment; feel misunderstood, mistreated, or victimized; have extreme reactions to perceived slights or criticisms; feel unhappy, depressed or despondent; feel anxiety, anger and hostility; and have difficulty in regulating affect, interpersonal competitiveness, power struggles, and externalize blame (Russ et al. 2008).

Kay (2008) notes that most clinicians would agree that those individuals with a malignant subtype may have limited treatability because they lack insight and sometimes do not experience symptoms such as anxiety and depression that might motivate a person to accept treatment; those with fragile subtype are likely to be those most in pain because their defenses against feelings of inadequacy frequently fail and are often followed by narcissistic rage; while those with high-functioning subtype are the most treatable because their grandiosity is often accompanied by a reasonable level of introspection and treatment, though they are not without challenges. Russ et al. (2008) conclude that fragile narcissists suffer the most since they have the poorest global adaptive functioning and the highest comorbidity with major depressive disorder and generalized anxiety disorder (they may respond best to empathic understanding and interventions that acknowledge underlying pain, insecurity, and vulnerability). Grandiose/malignant narcissists have the most externalizing behavior and have the poorest prognosis (they do not experience the kind of emotional pain that would motivate them to work in psychotherapy and would likely seek to manipulate the clinician or establish a “one-up” position). High-functioning/exhibitionistic narcissists have relatively good adaptive functioning and less psychiatric comorbidity (they might benefit
from an interpretive, insight-oriented approach that increases awareness of how narcissistic defenses erode possibilities for more meaningful attachments).

Brown (1997) argues that the theory of narcissism can be employed usefully to analyze the dynamics of group and organizational behavior because it sheds light on the dynamics underlying the legitimacy attributions made by organizational participants. Godkin and Allcorn (2009) suggest that dysfunctional narcissistic behavior can result in arrogant organizational disorder and that the disorder carries symptoms associated with interruptions in organizational learning. They distinguish between true organization and false organization: the former arises from sufficiently good nurturing and supportive attachment that is not over-controlling or engulfing; the latter arises out of a general inability of leadership to sense members’ needs, encourage them, and to aid healthy participation within groups. In order to correct for the presence of false organizational identity and leaders who have developed false selves, a “holding and transitional organizational culture that contains playful, reflective and creative spaces and times represents a form of organizational idea where personal integrity, interpersonal authenticity, true self and organization arises in the absence of destructive narcissistic qualities” (Godkin and Allcorn 2009, 54). In spite of the fact that relatively few narcissistic leaders are interested in looking inward, and psychoanalysts do not usually get close to them, Maccoby (2000) identifies basic ways in which productive narcissists can avoid the traps of their own personalities: finding a trusted sidekick who is able to point out the operational requirements of the narcissistic leaders’ vision and keep them rooted in reality and finding ways in which the productive narcissistic leaders (whose strengths are characterized by vision, charisma, and the ability to see the big picture and whose weaknesses include poor listening skills, sensitivity to criticism, lack of empathy, and relentless and ruthless pursuit of their goals) can be self-reflective. It appears that the productive narcissist corresponds to the high-functioning/exhibitionistic narcissist type. If this is the case, then in a strong ethical organizational culture that promotes personality growth and development through timely interventions (for example, executive coaching, 360 degree feedback, a culture of collective governance, peer-corrections on character and professional flaws, and so forth) can help in developing the virtues (humility, detachment, cheerfulness, empathy, responsibility, and so forth) that keep the narcissist leaders rooted in reality. The point here is that, whatever is the form or extent of NPD, its inherent vices need to be addressed if one is to be or become a better leader or professional so that one is in a better position to develop one’s humanity and promote the good of others and the organization. This is where the role and importance of the virtues can help in dealing with narcissism. The idea and relationship between individuality and personality
are first discussed in the next section in order to better understand and explain narcissistic behavior from a philosophical (Aristotelian-Thomistic) perspective.

**Individuality Versus Personality**

The notions of *individuality* and *personality* have been understood in different contexts depending on which ideology one assumes. For example, in neoclassical economics and contemporary Western business philosophy, individuality emphasizes inward directedness, autonomy, and awareness of self-interests in which the individual is represented as intelligent, rational, utility-calculating and maximizing, and free to participate in all economic decision-making (O’Boyle 2003). Hinchman (1990) explores the idea of individuality in its political significance. Lawrie (1974) discusses various notions of personality. De Torre (1984) outlines the characteristics of these two distinct but not separated metaphysical dimensions of human nature: Individuality is undivided, distinct, incommunicable, self-centered and autonomous. Personality is an individual substance or being with a rational nature (this concept originated from the classical definition of a person formulated by the Latin philosopher, Boethius (2000): *persona est naturae rationabilis individua substantia*—each person is an individual substance of a rational nature), communicable, sociable, and self-transcending. Substance refers to a being that exists by itself, as opposed to *accidents* that refer to beings that exist in another. Rationality is defined as contacting reality in a spiritual way (to abstract essences and to reason are spiritual activities) and to absorb reality to oneself in acting not on the impulse of emotions but guided by the judgment of the mind (de Torre 2005). This is precisely the basis for the virtues of humility, detachment, genuineness, and originality—one effects contact with reality and has one’s thoughts conform to that reality. Personality is self-transcending because one is naturally inclined to go out of oneself in communicating and interacting with others and the environment. Cessario (2001) points out that the relationship (sources of morality) or the metaphysical distinction between individuality and personality is linked with levels of moral goodness that human actions can attain: individual determination of moral goodness is based on moral objectives and circumstances, while personal determination includes personal intention.

Individuality is rooted in materiality (biochemical composition of the body determining one’s temperamental traits), while the personality is rooted in spirituality (specifically, freedom and intelligence). Due to its material nature, individuality is subject to change because this is a property of matter. When one says that “the only thing constant is change,” one is actually referring to individuality, in other words, there are aspects of human nature (materiality) that are subject
to change. On the other hand, spirituality is immutable (freedom and intelligence are not rooted in matter) in the sense that human beings share a common human nature. Individuality is characterized by *multiplicity* because matter itself undergoes changes due to circumstances, situations, mistakes, misdeeds, culture, ideologies, passions, and the host of other forces to which one is exposed, resulting in a complex character manifested in inconsistency, inconstancy, and the tendency to be at the mercy of others or circumstances. Every material body is made up of two intelligible principles of potency and act: *potential* (prime) matter and *actual* (substantial) matter. The former specifies the latter in that it makes it a specific type of being (e.g., a dog and not a cat). Leen (1943) points out that the term *potential* is not quite exact because potency, given suitable conditions, becomes necessarily actualized. If it is actualized in the wrong way, then one is not free from human respect and blames others or circumstances for one’s moral transgressions (such as in the case of the narcissists). If it is actualized in the correct way, then one experiences self-fulfillment and becomes truly free and a master of one’s own actions (such is the case of a well-developed personality). In other words, though all persons have a rational nature, one can act irrationally when one’s potentiality is actualized in the wrong way because of accidental reasons. In an exclusively individualistic view of life, human fulfillment is defined as a hedonistic ethic (happiness is equated with maximization of pleasure and/or minimization of pain). According to this view of human nature, there is no difference between the individual and the person. According to an Aristotelian-Thomistic view, it is a metaphysical error or blunder to reduce the human being only to materiality as characterized by materialistic philosophies (economism, scientism, dialectical materialism, meta-psychologism, linguistic structuralism, anthropological materialism, sociological positivism, logical positivism, and so forth), which view or treat people as economic or material units.

One can perfect and transcend one’s individuality by means of one’s rational nature where one’s freedom is rooted. This freedom is an internal freedom rooted in the human will (no physical constraint can take away this freedom) so that one functions “freely” when nothing inhibits how one ought to judge and act. The main obstacles to this freedom come from within (through ignorance, in particular, because the responsible use of freedom is based on one’s ability to know one’s goal and the means to attaining that goal; ignorance prevents one from recognizing either the proper goal or the right means). Paradoxically, these obstacles are removed by the imposition of the law of reason (natural moral law or the law of human nature that describes the set of rational laws or precepts of natural reason that regulates human actions with a view toward the end of the person) on one’s inordinate desires. In other words, spirituality (reason) ought
to govern materiality (emotions and feelings) without suppressing it but directing it toward the good of the human person. Personality then is the true basis of one’s social nature (or political nature according to Aristotle), which allows one to transcend and ennoble one’s self-centered material individuality and gives one the capacity to love what is true and good with order. When one’s lower appetites or emotions (materiality) are always in harmony with reason (spirituality) that conforms to what is true and good (the objects of the human intelligence and will respectively), one is said to have a fully developed personality. An ordered unity characterized by right relationship between one’s individuality and personality is what describes integrity (or unity of life). Such a person attains human flourishing or fulfillment in removing obstacles to inner freedom.

The narcissists suffer from a personality disorder that is driven by their individual materiality that is not properly informed by their spirituality or rational nature. The result is a deformed or disordered personality. Imbesi (1999) argues that disorders cannot be attributed to environmental factors alone, and that the impact of constitutional and intra-psychic factors in all personality formation cannot be ignored. Unfortunately, the narcissists do not develop into reasonable beings because they have used, or more appropriately abused, their spiritual powers of intelligence and freedom to behave and act in defiance of reason. The narcissists therefore suffer from a spiritual disease, specifically, from an intellectual pride (manifested in an extravagant sense of self-importance and superiority, exaggeration of talents, boastful and pretentious behavior, grandiose fantasies of unlimited success, the belief that one is so unique that one can only be understood by equals, and so forth) and the selfishness of the will (manifested in a yearning for attention and admiration, a willingness to exploit others, a lack of empathy, envy, and so forth). The narcissists’ moral failings can be attributed to their loss of a sense of reality of personality development. By this lack of proper personality development, the narcissists are greatly challenged to live personal integrity because there is a disorder or corruption (separation) between individuality and spirituality, nor can they have a real solidarity for others or an appreciation of the common good because they focus on their individuality and are therefore unable to transcend themselves. The phenomenon of narcissism best depicts the deficiency and fallibility of human nature, which Felice (2001) describes as social antiperfectionism (while we all share a common human nature that gives us the capacity to do good, we also share a potential criminal mentality for moral transgressions). A properly developed personality is characterized by independence (in which one takes responsibility for one’s actions), which really means a dependence on reality, and simplicity in which one is able to see things as they really are.
Narcissism can be properly understood in the context of the philosophy of individualism that characterizes the ethical climate of contemporary business driven by utilitarianism and consumerist materialism. Cultural historian, Christopher Lasch (1932–1994) originally posited that narcissism and individualism were related through exploring the roots and ramifications of pathological narcissism in the United States’ culture using psychological, cultural, artistic, and historical synthesis (Lasch 1979). Kavanaugh (2007) also agrees that narcissism, arguably, is the deepest moral challenge to the United States and refers to the ethical form of narcissism as autonomous individualism. For autonomous individualism, human judgment is unable to see beyond its own exercise of freedom and exercises that freedom in isolation from “the other”; it denies that there is an objective truth. According to Remme (2002), individualism ought to be regarded as the prior (to instrumental rationality, democracy and bureaucracy, socioeconomic change or progress, sociocultural change, intellectual and scientific change, and to political or ideological orientation), most basic principle in modern life-orientation. Remme (2002) further notes that individualism cannot be reduced to narcissism, nor can narcissism be seen as simple individualism; however, one can speak of a narcissistic or an autonomous individualism that offers the possibility of dominating things and people (one becomes a law unto oneself because there is no higher law than oneself—the so-called self-made person) and centers one more onto oneself. Burke (2007) points out that to have no worthwhile reference points outside oneself involves the danger of remaining ultimately closed in on an inner core of self too poor in resources for the deeper potential of personal life. Narcissistic individualism is characterized by a free and autonomous morality in which one is self-sufficient (a nontranscendent nature) and independent of the moral laws inherent in one’s human nature. Here, the notion of freedom takes on an absolute value as it becomes the ultimate goal for the individual. In this view, self-actualization is viewed as being accomplished on one’s own terms; however, life does not always respect a person’s own terms as was pointed out in the case of Nobel Prize Laureate, Ernest Hemingway: “In June 1961, A. E. Hotchner, his friend and biographer of Hemingway, visited him in an attempt to pull him out of his depression and delusions. When he asked Hemingway why he wants to kill himself, he answered: “Hotch, if I can’t exist on my own terms, then existence is impossible. Do you understand? That is how I lived, and that is how I must live. Hemingway shot himself a month later” Burke (2007, 6). Narcissistic individualism, therefore, promotes an immanentism that encloses one in oneself and in which the common good is understood to be the sum total
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of individual goods (as epitomized by the utilitarian maxim: “the greatest good for the greatest number”). In this view, it is in one’s interest to maximize one’s individual good even if it is to the detriment of others.

Personality, as understood in the context of this article, is grounded in the philosophy of personalism that focuses on the centrality of the human person who is considered to be the ontological and epistemological starting point of philosophical reflection grounded in the methodology of phenomenological realism developed by Edmund Husserl and an Aristotelian-Thomistic natural law metaphysical foundation (Gronbacher 1998). In this view, the value and dignity of the person are derived from the ontological significance of being (who the person is) and not derived from an individual’s possessions or talents (what the person has). This dignity is based on a theocentric humanism (transcendent or spiritualistic order of human nature) as opposed to an anthropocentric humanism (immanent or naturalistic view of human nature). In practical terms, the basic idea of personalism is to understand the centrality of persons and relationships in the context of institutions (business, family, marriage, community, society, and so forth) in seeking to analyze the meaning and nature of personal existence. With respect to the application of personalism in business, the term economic personalism, coined in the mid-1990s, is defined as an interdisciplinary approach (integrating philosophy, theology, and economics), which analyzes the moral ramifications of market economies in light of a theocentric vision of the human person. It stresses the subjective character of human work and its place in human creativity (Gronbacher 1998, Finn 1999, Schmiesing 2001).

Personalism rejects a reductionist or materialistic view of the human person and subscribes to a morality based on transcendental principles of: human dignity (the person is endowed with intelligence and freedom from which one’s human rights are derived; he or she ought not to be viewed as simply a means for carrying out economic, social, and political activities), participation or socialization (one is called to exercise freely and responsibly one’s civic role with and for others, recognizing the different relationships among citizens and institutions in the specific social and historical contexts), common good (the good or happiness of every member of society—not the greatest good for the greatest number), universal destination of goods (common use of property in which each person ought to have access to the level and well-being necessary for his or her development—private property is therefore viewed as an instrumental good, not absolute), subsidiarity (institutions or societies of a superior order ought to support, promote and develop lower-order ones but ought not to interfere with what the latter can do on its own—also known as the principle of self-help), and solidarity (highlights the intrinsic social nature of the human person
recognizing the interdependence between individuals and peoples). These ethical and transcendental principles are interrelated and must be balanced. For example, subsidiarity blind to solidarity results in individualism, and solidarity blind to subsidiarity results in socialism.

The Ethical Economy and the Role of Virtues

Virtues and the Economy

The business or economic fallacy is the invisible hand argument that natural resources plus labor would automatically result in productivity. The market system, however, flourishes when it functions in an ethical and juridical framework in which the vulnerable is protected and the arrogance of the powerful is curbed. In other words, there ought to be “two hands” to ensure smooth running of the market economy: the invisible and the juridical. We have often witnessed that gross and unregulated individual misbehavior in market activity affects the stability of companies and nations. To the extent that ethical motivation prevails, there is economic prosperity; to the extent that it wanes, there is economic stagnation and crises. When vices stemming from narcissistic behavior (especially envy and greed) are introduced into the free market system, the economy suffers crises as a result of the weakening of moral virtues and ethical values. The distrust engendered by vice raises wasteful transaction and monitoring costs to levels that can paralyze the marketplace and is manifested in a variety of ways: by taking imprudent and excessive risks with other people’s money, by selling products and services that harm others, and by engaging in outright fraud (Colombo 2009). Of course, the aim here is not to simplify the connection between ethics and the economy; one also needs to consider culture, technology, corporate governance systems, and other political and historical considerations. No free market system, however, would work justly or efficiently unless it is governed by decision-makers who are not only technically competent but also morally competent or virtuous.

James Madison remarked that “… to support that any form of government will secure liberty or happiness without any virtue in the people is a chimerical idea” (Bellah, Madsen, Sullivan, Swindler, and Steven 1996, 254). Dennehy (2007) comments that a nation whose members lack moral virtue cannot sustain its commitment to freedom and equality for all. Mueller (2000) argues that under capitalism, virtues (honesty, fairness, civility, compassion, and so forth) are considerably more than their own intrinsic reward in showing empirically that virtuous business behavior leads to economic growth. The prosperity of Western
economies, therefore, can be linked to the rise of virtue. Thomas Aquinas argued that virtue is at the foundation for the development of the person and society in making the point that the common good of the state cannot flourish unless the citizens be virtuous, at least those whose business it is to govern (Aquinas 1948, I-II, q. 92). Bones (2009) remarks that for the want of a few good leaders of the world’s financial services industry and its regulators, the world’s economic system was nearly destroyed; he further suggests that the focus ought to be on developing the virtuous leader. This point is also reiterated by John Paul II: “The moral causes of prosperity … reside in a constellation of virtues: industriousness, competence, order, honesty, initiative, frugality, thrift, spirit of service, keeping one’s word, daring—in short, love of work well done” (Paul 1987, 775). Again, this point is made by Harris (2009, 13), “While institutions are larger than men, it is still men who inhabit them. And if our institutions are now degenerating through lack of integrity and trustworthiness, it is ultimately [that] the men and women entrusted with the task of maintaining and building such institutions have themselves operated without integrity and trustworthiness.” The idea here is that, ideally, it is the virtuous agents who would establish the social structures and culture: “if there are people who do have robust character traits and are resistant to situational variation, they can design and reliably maintain the broad range of institutions and situations that facilitate good behavior for everyone else” (Hutton 2006, 50). Of course, it is better that all agents aspire to virtuous behavior whether or not they hold leadership positions. Merrit (2009) advises that those who do hold such positions could be given to understand that their institutional roles carry an extra burden of responsibility to strive for virtue, commensurate with the importance of their influence on situational settings that guide the behavior of others who are subject to their authority. However, if virtuous agents are so rare and are also prone to be influenced by morally arbitrary factors, the governance structure ought not to be left to personal resolve.

History has shown that virtues and ethical motivations that promote an enlightened self-interest (e.g., honesty in dealing with people, generosity, industriousness, spirit of service, and so forth) propel social and economic development. The United States and other Western European countries are prime examples where one can correlate economic prosperity to moral ascendency and economic downturn to moral transgressions (ceteris paribus). Flynn (2008) illustrates how the value of virtue in business, as well as the deleterious consequences for society when conscience is ignored and virtues are displaced by an unscrupulous, exclusive concern for higher profits, are manifested in considering the case of the remarkable success of Ireland’s “Celtic Tiger” economy, which testifies to the necessity and permanent value of the ethics of virtue.
Intellectual and Moral Virtues

Human fulfillment consists of knowledge of the truth (defined as the adjustment of the mind to reality) and love of the good and is attained through the perfection of one’s spiritual faculties: the intellect (the power of thinking) and the will (the power of acting) both of which are the source of human creativity in all fields. The development of both these spiritual faculties is fundamentally human development because they make one a better human being (being determines the way of acting and doing). The perfection of the intellect is attained through the five intellectual virtues of which three are speculative or theoretical (geared to knowledge) and two are practical (geared to action), with the subordination of the latter to the former (de Torre 2005). Truth may be known either speculatively or practically: the speculative intellect contemplates truth and the practical intellect considers truth about things as the measure of action. The goal of speculative reasoning is therefore truth and the goal of practical reasoning is the right way to perform human actions in pursuit of the moral good and the avoidance of moral evil. The first of the speculative intellectual virtues is understanding, which is the habit of applying the first principle of thinking or the principle of noncontradiction—it is impossible for a thing to be and not to be at the same time and in the same respect—which is the starting point of all other knowledge that is naturally known. This virtue is sometimes identified as intuition or common sense. The second of the speculative virtues is science, which is the habit of looking for the true and certain explanations or causes of everything with accuracy, necessity, and universality. Science either deduces truths from some other truths or interprets facts in light of the principles furnished by the virtue of understanding. The sciences can give explanation of things in their material causes but cannot provide answers to spiritual realities. The third speculative virtue is wisdom, which is the habit of looking for ultimate, global, and deepest explanations of the entire field of reality and every aspect of it. It is the habitual knowledge of ultimate causes, which enable one to perceive everything in order of its proper place. Without wisdom, science cannot make a person perfect as he or she ought to be (positivist scientists equate science to wisdom). The practical intellectual virtues are prudence, which is the habit of applying reason to human decisions, which is the root of conscience (it is reflected in the application of the first principle of practical reasoning: good should be done and evil avoided) and art, which is the habit of applying reason to the making of things (this includes technology).

While a lot of emphasis has been placed on the examination of the unconscious (psychoanalysis), the examination of one’s conscience is critical in correctly judging situations. Conscience is a function of the intellect, which performs the
act of judgment and is understood as the practical judgment of reason upon an individual act as being good (bad) and to be performed (avoided). While one is necessarily obliged to follow one’s conscience, one has a grave duty to educate one’s conscience. This requires knowledge of the principles or norms that distinguish right from wrong and the effort to practice the virtues (especially sincerity). Ultimately, the morality of a society depends on the proper formation of a true conscience. An individualistic ethic gives conscience the prerogative of independently (from the natural moral law) determining the criteria of right and wrong. It promotes an autonomous or narcissistic individualism that is irreconcilable with personalism (Cessario 2001). In summary, the speculative intellect develops reasoned thought from a set of indemonstrable principles, while the practical intellect grasps the first principles of morality based on the meaning and nature of the good (Cessario 2001).

The perfection of the will is attained through the four cardinal virtues: the intellectual virtue of prudence (the ability to recognize both morally and technically relevant features of a situation and to deal effectively with them), justice (honesty, open and transparent communication, and maintaining fairness in relationships), fortitude or mental toughness (speaking up for what is right and reporting wrongdoings), and temperance or self-mastery (keeping commitments, personal integrity, and responsibility). It should be noted that some scholars (Pieper 1988, Cessario 2001) view prudence as both an intellectual and a moral virtue (justice, fortitude, and temperance are examples of moral virtues) because: (1) it directs one toward one’s ultimate end, (2) it is subject to the dominion of the will, and (3) its acquisition does not so much depend on one’s intellectual ability as in the strength of one’s will (a person of low intelligence can be prudent through the influence of the will). Although Price (2005) argues that ethical failures in leadership are fundamentally cognitive and not volitional because leaders’ immorality is more a matter of belief and knowledge rather than a matter of desire and will, it is ultimately the will (which moves both itself and the other human powers in pursuit of moral good or perfection) and not creativity of the intellect (blinded by intellectual pride resulting in ignorance) that is responsible for the separation of the moral order (the implementation of the natural moral law that leads to human fulfillment) from the social order (business, economics, science, politics, culture, education sports, and so forth). The social order is however part of and subject to the moral order that guides one to proper personality development and human fulfillment. The primacy of the moral order over the social order is reflected, for example, by the primacy of ethics over economics.

In order to act well, one needs the intellectual virtues to perfect one’s reason (the intellectual order) and the moral virtues to act in conformity with reason
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(themoralorder). It is not, strictly speaking, possible to practice and develop the moral virtues without the intellectual virtues. The former relies on the latter in directing human acts in accordance with the standards of human reason. However, the intellectual virtues can exist independent of the moral virtues. All virtues work according to a measure or rule proper to them. The moral virtues work according to the mean of human reason (typically the mean between an excess and a deficit in the practice of a particular moral virtue) and the intellectual virtues work according to the measure of things (with respect to the speculative intellectual virtues) and the rule of reason in conformity to things and actions (in the case of practical intellectual virtues). Figure 1 shows the relationship between the intellectual and moral virtues.

![Figure 1: Relationship Between the Intellectual and Moral Virtues](image-url)

**Intellectual Virtues**

- **Speculative**
  - Wisdom
  - Art
  - Science
  - Prudence

- **Practical**
  - Moral Values

*Endowed Knowledge*  
*Acquired Knowledge*  
*Acquired Practice*
While secular humanistic psychology and psychiatry have improved our understanding of human nature and treatment of personality disorders, Schimmel (1997) recognizes that those fields are seriously deficient in addressing problems associated with impulse control, selfishness, existential meaning, moral conflict, and ethical values. An Aristotelian-Thomistic virtue ethics can enrich the field of the secular sciences because it incorporates a view of human nature in which spiritual and moral values play a fundamental role in personality development. Fleming (2006) notes that virtue ethics is firmly grounded in psychology because virtues exhibit some key and common characteristics of most concepts of psychological health. First, virtuous agents are aware of their strengths and weaknesses (they know and accept who they are and what they ought to become): They exhibit self-awareness and self-acceptance. Second, the virtuous agents are aware of the morally significant aspects of their circumstances (including the pain and suffering of others, and the good of the moral community in general): They exhibit a lack of self-absorption and the capacity for altruistic behavior. Third, in order to become virtuous agents, they must spend many years not just training their emotions and desires but also learning to take pleasure in doing the right things: They exhibit an emotional and desiderative balance that avoids the unhealthiness of repression and excess. In other words, an integral part of becoming virtuous is acquiring a form of psychological maturity that is in line with most normal concepts of psychological health. Sandage and Hill (2001) also identify several areas of congruence between virtue and positive psychology, including the promotion of positive health and human flourishing, a connection to healthy character and community well-being, the cultivation of human strength and resilience, a link to meaning in life, and grounding in wisdom. Punzo (1996) also argues that a virtue-ethics approach to moral psychology provides a theoretical framework that is amenable to the empirical investigation of the nature and formation of the moral self and identifies six primary features that inextricably link virtue and moral selfhood: (1) virtues, rather than rules, constitute the primary area of interest; (2) focus on practical reasoning over meta-ethical reasoning; (3) moral perception regarded as a prominent feature of the virtuous agent; (4) emotions acknowledged as integral components of the agent’s moral vision and response; (5) selfhood and morality acknowledged to be interwoven constructs; and (6) the virtuous self as a relation, interdependent self.

It is precisely the virtues that allow one to transcend one’s individuality in properly developing one’s personality, directing one to what is good and true in allowing one to properly and responsibly exercise one’s freedom in removing obstacles (negative freedom) and promoting morally upright behavior (positive freedom). For example, to deal with one’s fears of suffering and dislike for
hardship, one has to acquire the virtue of courage. To manage one’s appetite for undue aggrandizement at the expense of others, one needs to develop the virtue of justice. To control the basic appetites for food and sex, one must practice the virtue of self-control (Leen 1943). By cultivating both the intellectual and moral virtues, one can transcend the limitations of one’s individuality (which focuses on pursuing pleasure and avoiding pain) through an intellectual and moral effort (thereby overcoming narcissistic tendencies of ignorance fostered by intellectual pride and self-centeredness fostered by the weakness of the will). The moral virtues are required to live a truly good life in developing a steady and firm disposition to do good in concrete situations. The intellectual virtues are concerned with the contemplation of truth and do not produce morally good acts. As such, intellectual activity does not make one unqualifiedly good but good only in a restricted sense. Perhaps this is why there has been an emphasis or focus on the moral virtues. For example, a person who is not morally mature or who is morally weak can misuse his or her intellectual virtues to promote an evil end (this explains why one can be a technically brilliant CEO but possess a narcissistic personality). For proper personality development, especially for those who are in leadership positions, the development of the virtues of the intellect ought to properly interact with the moral virtues to give an intelligent direction to one’s life and consequently the lives of others and thus promote the common good. It is through the nurturing of the intellectual virtues that one is able to derive and recognize the transcendental principles. For example, one can reason that though private property is an individual right, it ought to be limited by the demands of the common good (the primacy of the common good).

Therefore, if, as postulated in this article, there is a direct link between narcissistic leaders and the state of the economy, then one ought to address the narcissistic vices stemming from the social antiperfectionism of the intellect and the will (of which narcissism is the first product) through a virtue-centered ethics. One of the key virtues to acquire as an effective antidote to intellectual pride, egoism, and selfishness is humility. Humility is at the root of all virtues as it is grounded in reality. It allows one to know one’s limitations and possibilities, to not allow oneself to be deceived by mere ambition, to avoid negative judgment about others, and to look on others with respect, understanding, and compassion. Its associated virtues include cheerfulness, patience, sincerity, simplicity, affability, and magnanimity. Because moral virtues cannot be acquired without effort and trials, in order to develop the virtue of humility, one has to undergo humiliations or being despised by others. Everyday life provides ample “raw material” or opportunities for practicing humility: to cheerfully and gratefully accept peer-correction, to avoid making a display of one’s good qualities, to make
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an effort not to be overly preoccupied with one’s own concerns (e.g., about one’s health, whether others think well of us or take us sufficiently into account, and so forth), to avoid curiosity and desires to know everything about everybody that can lead us down a slippery slope, to accept difficulties with good humor (especially when we are overlooked or not consulted even though we think we have better competence or greater knowledge and experience), not to insist on our own point of view unless it is demanded by justice or truth, and so on.

Conclusion

An overall review of the literature shows that narcissistic persons are: egotistical, exaggerate their talents and abilities, lack empathy, are charming and extroverted, desire power and attention, are likely to emerge as leaders, tend to develop a close relationship with others (codependents or conarcissists) who provide an adaptive voice of reason or an emphatic viewpoint, and demonstrate a pervasive pattern of grandiosity that appears to be the most distinguishing and discriminating evidence-based criterion of narcissism. This article argues that scandals and crises in business can be primarily attributed to NPD especially of senior executives and leaders who have lost touch with reality. At the heart of the financial meltdown is a moral meltdown characterized through narcissistic personality disorders that can also be viewed as a cultural disease or disorder. What is therefore required for the proper functioning of the economy is not only financial and social capital but a foundation of moral and spiritual capital that is precisely the cultivation and practice of the intellectual and human virtues, especially in those in leadership positions, along with the infusion of ethical principles of human dignity, the common good, participation, subsidiarity, and solidarity. The crises of the world are crises of lack of respect for human dignity, trust, and personal integrity engendered primarily by narcissistic behavior.
References


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