I Was Greedy, Too

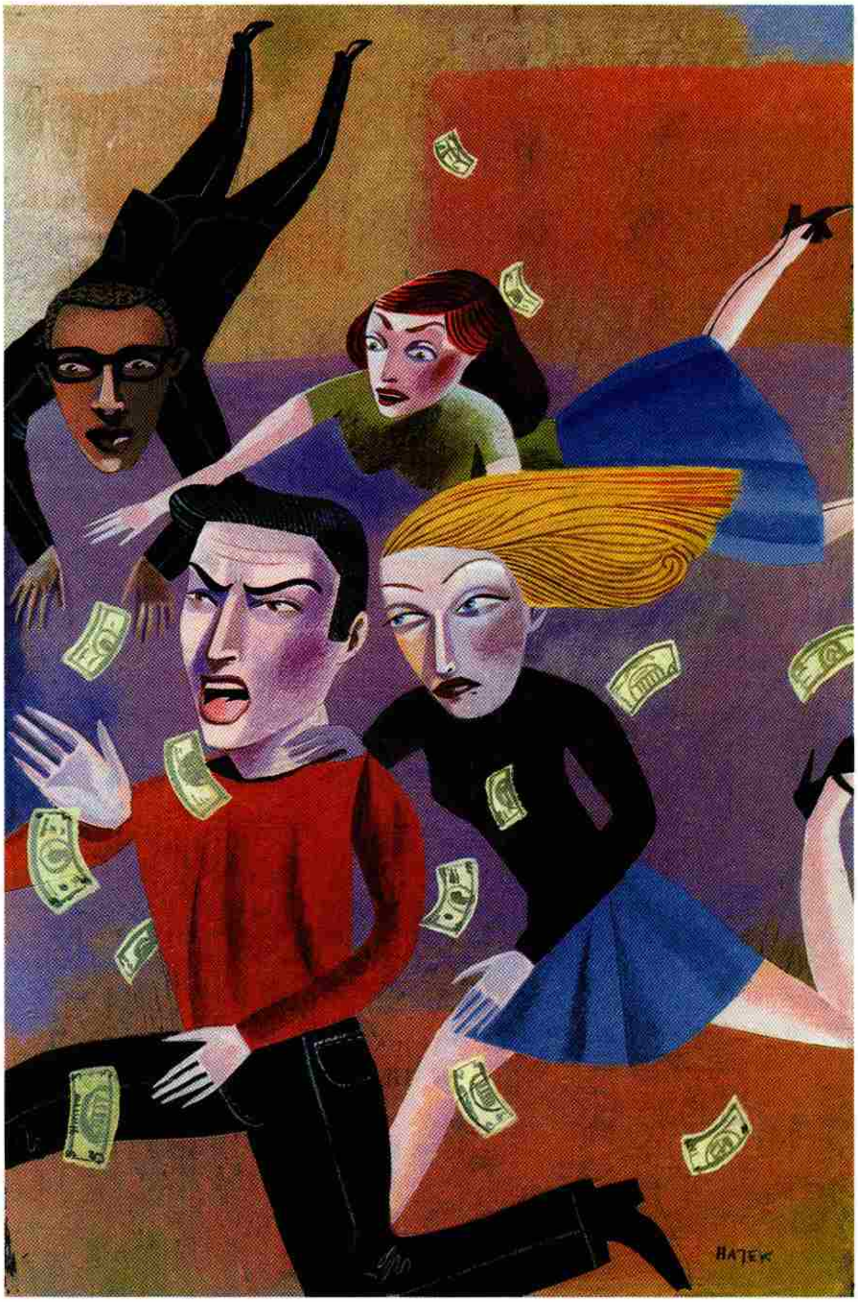
by Diane L. Coutu

People have always been greedy. The trouble comes when money lust infects an entire society.

IT WAS A MISTY NIGHT back in March 2000. I had just come home from work, settled onto the couch, and switched on the evening news. Dan Rather was reporting that the Nasdaq had shot up once again and was now poised to pass the 5,000 mark. My stomach twisted into a knot. I had no investments in tech companies, and I could feel myself growing more destitute by the minute. Desperate, I phoned my financial adviser and ordered him to buy Internet stocks. I didn't need a windfall – I had enough money to cover my material requirements – but at that moment I certainly wanted one. More than anything, I suppose, I didn't want to feel left out of the party.

Today, with the Nasdaq having fallen close to 1,000, Americans are outraged at the greediness of Wall Street analysts, dot-com entrepreneurs, and, most of all, chief executive officers. How could Tyco's Dennis Kozlowski use company funds to throw his wife a million-dollar birthday bash on an Italian island? How could Enron's Ken Lay sell thousands of shares of his company's once high-flying stock just before it crashed, leaving employees with nothing? How could GE's Jack Welch, after retiring with a vast fortune, let his company pick up the tab for his sports tickets and satellite TV service? Even America's most popular homemaker, Martha Stewart, is suspected of having her hands in the cookie jar.

To some extent, our outrage may be justified, though I can't help being intrigued by the fact that greed seems to be a trait we always attribute to others. We are never the greedy ones. And yet it's easy to forget that just a couple years ago these same folks were lauded as American heroes, their riches viewed as glittering tokens of grand achievements. Many of us wanted nothing more, in fact, than to emulate them, to share in their fortunes; we spent an enormous amount of time talking and thinking about double-digit returns, IPOs, day trading, and stock options. It could easily be argued that it was public indulgence in corporate money lust



that largely created the mess we find ourselves in now.

And that makes it a particularly good time to take a hard look at greed, both in its general form and in its peculiarly American incarnation. If Federal Reserve Board chairman Alan Greenspan was right in telling Congress that "infectious greed" had contaminated U.S. business, then we need to try to understand its causes – and how we as individuals may have contributed to it. Why did so many of us fall prey to greed? With a deep, almost reflexive trust in the free market, are Americans somehow greedier than other peoples? And as we look at the wreckage from the 1990s, can we be sure that it won't happen again?

The Psychology of Greed

Any study of the origins of greed needs to begin with the individual. Interestingly, however, psychologists have been largely silent on the topic. Indeed, check at the Boston Psychoanalytic Society and Institute, and you won't find a single book devoted to the subject. Psychologists' aversion to dealing with this common human tendency can, I believe, be traced back to the fact that people tend to view greed as a profoundly negative quality. To suggest that a patient is greedy would seem so judgmental that therapists, who like to see themselves as benevolent, prefer to steer clear of the issue entirely.

That said, I do believe that we can find useful insights into greed in the works of at least three seminal thinkers: Sigmund Freud, the founder of psychoanalysis; the early twentieth century child analyst Melanie Klein, a follower of Freud and one of the few psychoanalysts who studied greed; and Heinz Kohut, an Austrian psychoanalyst who in the late 1950s radically reinterpreted Freud.

Freud argued that greed was natural, that man was born greedy. For him, the unconscious was a cauldron of murderous wishes and drives – sex and aggression – that had to be socialized. In this

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process of humanization, people progressed through oral, anal, and phallic "psychosexual" stages, and greed could be expressed in each of them. Oral greed, for instance, might take the form of biting hunger – perhaps the kind that Kozlowski, who built Tyco's strategy around gobbling up other companies, displayed. People express anal greed either by hoarding their money like Scrooge or by spending it madly like Imelda Marcos. Perhaps most common in business is the driving ambition that characterizes phallic greed – Larry Ellison, whose desire to overtake Bill Gates as the world's richest human, springs to mind.

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Though Freud often rethought these stages of development, it is perhaps his writings on money that have most intrigued the popular imagination. Freud acknowledged that money can be a measure of our status, even our freedom, but he recognized that we are deeply ambivalent about it. There is a reason, Freud would argue, that we talk of "the filthy rich." As he wrote in 1908, "In reality, wherever archaic modes of thought have predominated or persist – in the ancient civilizations, in myths, fairy tales and superstitions, in unconscious thinking, in dreams and in neuroses – money is brought into the most intimate relationship with dirt." Dirt, for Freud, was a symbol of feces, which he observed exerted a powerful fascination for children, even into adulthood. While it may seem strange – and repugnant – to equate money with excrement, the connection survives even today. The most infamous dot-com commercial ever broadcast was one that the on-line investment firm E-Trade aired during the Super Bowl early in 2000, at the height of the Internet bubble. The ad showed doctors in an emergency room examining a man's backside and proclaiming that he had "money coming out the wazoo." Then came the tag line: "You should be so lucky."

That transformation of filth into something we should envy and even desire is less paradoxical than it might seem. Freud discovered that the mind can insulate itself from painful truths in a number of ways. One of its most ingenious defenses is something called reaction formation, the mechanism by which we convert a feeling into its opposite. By idealizing money, seeing it as something that's beautiful and glamorous, we shield ourselves from the guilt and shame connected with its deeper and darker associations.

Melanie Klein also saw greed as part of human nature, though she traced it back to the death drive. Human beings are unavoidably self-destructive, she argued, and we project that destructiveness onto the outside world in the form of insatiable acquisitiveness, envy, and hate. "At the unconscious level, greed aims primarily at completely scooping out, sucking dry, and devouring the breast," Klein wrote, describing the primal instincts of infants and psychotics. Though later psychologists have questioned Klein's all-pervasive belief in the death drive, or Thanatos, many agree with her that there is an existential connection between our mortality and our desperation to acquire good things. Essentially, it's death that makes people "greedy for life"; we seek to get as much as we can for ourselves before the game is over.

Heinz Kohut took a rather different view. He believed that man is born good and it is the environment that corrupts him. Greed, in other words, comes out of nurture, not nature. It compensates for the emptiness that results from feeling that one didn't get enough love or affirmation in one's life. When children repeatedly don't get enough affection and empathy, explains psychoanalyst Richard Geist, president of the Institute of Psychology and Investing, "they grow up to be the type of people who try to force others into meeting their needs. In the process, these individuals become aggressive, manipulative, enraged. And when their grandiosity becomes pathological, you get greed."

One of the most brilliant expositions of Kohut's thinking can be found in the 1941 film *Citizen Kane.* Charles Foster Kane – based on the colorful publishing magnate William Randolph Hearst – was a scoundrel with a huge ego who "never believed in anything except Charlie Kane." Yet he desperately craved outside approval: In the process of building a newspaper empire and running for office, Kane ceaselessly searched for admiration and applause. As Kohut might have predicted, Kane had grown up in an emotionally deprived family – his father was weak but threatening, and his loving mother abandoned him by sending him to boarding school. Like a drug addict, Charles Foster Kane tried compulsively and futilely to fill the void with money and material possessions. Yet despite all his wealth, he died a broken man. As Jed Leland, the closest thing Kane ever had to a friend, put it, "All [he] really wanted out of life was love. That's Charlie's story – how he lost it."

Another, very different perspective comes from evolutionary psychologists. They believe the source of greed lies even deeper than the psyche – it's in the very DNA that defines us. In the endless evolutionary struggle to achieve an advantage in perpetuating our genetic code, anything that can help us heighten our social status also helps us attract more and better mates. Because wealth is an important signifier of status, greed in this view becomes nothing less than a biological imperative.

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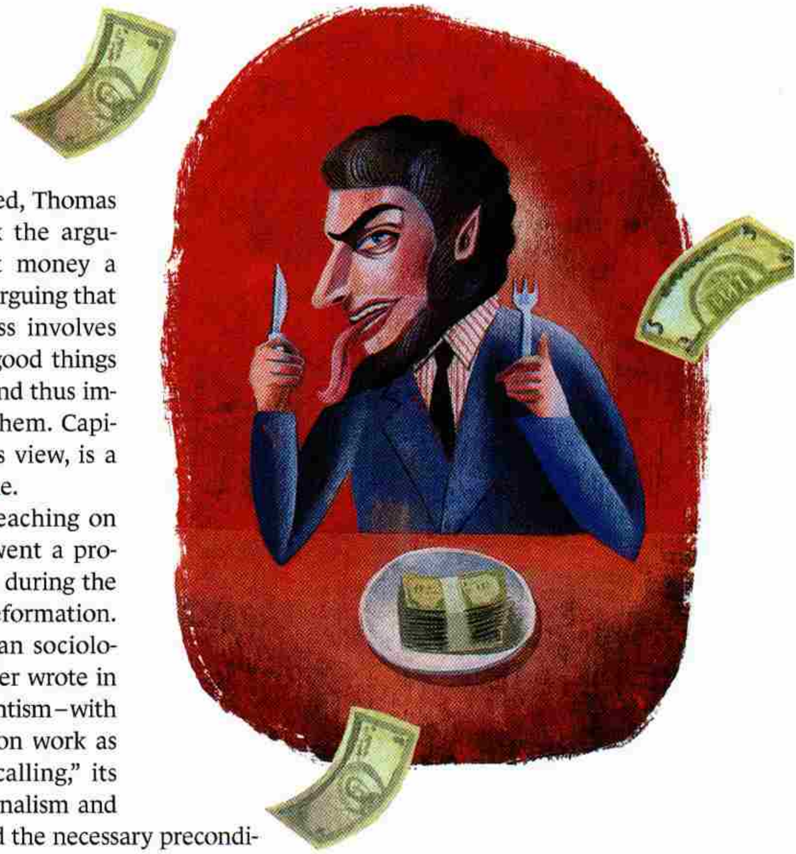
Greed Is Good

Whether greed emerges from our psyches, our environment, or our genes remains an open question. No one can say with certainty why Enron's Andrew Fastow, for example, was so desperate for more money. Fastow may not know the reason himself. What's important is to acknowledge that greed is a deep, perhaps even primal, instinct in man.

Which brings us to a crucial question: Why don't we spend all our time in self-interested acts of moneygrubbing? Why aren't all human transactions guided by avarice? The answer is that greed, like all potentially destructive human drives, is tempered by social norms. Capitalist philosophers since Adam Smith have pointed out that greed can be harnessed to serve social ends – that it can spur entrepreneurial innovation, leading to broad prosperity. It is society that channels greed to such constructive purposes. And it is society that decrees how much greed is enough – how we define where, say, healthy ambition ends and unsavory self-interest begins. The social rules can, moreover, change very quickly, as Americans have recently experienced. Yesterday, it was fine for CEOs to earn 500 times more than the average worker. Today, it seems distasteful, even immoral. Greed, for lack of a better word, is relative.

Most religious traditions have tied greed to material acquisitiveness and have attempted to contain it. Jesus Christ, for instance, warned followers against the seductiveness of wealth. In one of the most famous passages in the New Testament, he tells us that it is easier for a camel to go through the eye of a needle than for a rich man to enter heaven. He may have been more than a touch ironic, though, because "the eye of the needle" was also a term used to describe a narrow gateway into Jerusalem that an unencumbered camel could pass through. St. Paul, the founder of Christian theology, was less equivocal. "Love of money is the root of all evil," he wrote in one of his letters to Timothy. As the Catholic Church evolved, Thomas Aquinas took the argument against money a step further, arguing that acquisitiveness involves withholding good things from others and thus impoverishing them. Capitalism, in this view, is a zero-sum game.



Religious teaching on greed underwent a profound change during the Protestant Reformation. As the German sociologist Max Weber wrote in 1905, Protestantism – with its emphasis on work as a religious "calling," its belief in rationalism and thrift – created the necessary preconditions for modern capitalism. Weber's observation does not apply to all Protestant sects. Lutheranism, for example, retained the skeptical Catholic attitude toward business and money, and to this day, Lutheran countries such as Sweden and Germany have very strong welfare states. But it does apply to Calvinists, a sect that encompasses the Puritans, who were among the first Europeans to settle in America.

By insisting on translating the Bible into the vernacular, and interpreting it for themselves, the Puritans and other Protestant reformers set man face-to-face with God without the intermediation of the Church. And while this emphasis on individual faith was liberating, it was also anxiety provoking. If there are no priests to absolve us of our sins, how can we know for sure whether we are saved? One answer to this gnawing problem – and this is what Weber understood so well – was the accumulation of "worldly goods," which the Puritans and their descendents came to view as a sign of God's grace and approval. Thus, we find the president of Yale arguing in 1795 that "the love of property to a certain degree seems indispensable to the existence of sound morals" – an extraordinarily un-Christlike idea.

The United States proved fertile ground for this kind of thinking. Americans are not ashamed of amassing huge quantities of material things, a mindset that differentiates us from much of the rest of the world. "Making it big" and "having it all" are part and parcel of the American dream. Take a close look at the House of Seven Gables in Salem, Massachusetts – a building immortalized by Nathaniel Hawthorne in the nineteenth century – and you'll see iron nails hammered into the front door in a diamond pattern. "In those days, iron was very hard to come by," says Elizabeth Briody, a cultural anthropologist at General Motors. "If you wanted to show your neighbors that you had made it, you did not waste those nails in the construction of your house where no one would see them. You used wooden pegs in the house, and you put your nails on the front door." It was to describe precisely this kind of behavior that the economist Thorstein Veblen coined the term "conspicuous consumption."

To some extent, America's puritanical acceptance of greed has been fueled, as Alexis de Tocqueville realized more than 150 years ago, by the almost complete absence of classes in the country. We can't measure our status by our ancestry, but we can by the material goods we accumulate. American greed is further nourished by the fact that Americans, as Benjamin Franklin once explained, have typically given up everything to realize their dreams. They have left their "fatherlands" behind, abandoned their "mother tongues." Indeed, America is a land of orphans, and it is no remarkable coincidence that its literature is littered with stories about orphans – from James Fenimore Cooper's Hawkeye to Horatio Alger's Ragged Dick.

At some point, of course, Americans pay a great psychological price for this lack of rootedness. Just think about the endless stream of commercials for psychotropic medications that cross our television screens. If these advertisements are to be believed, Americans are not so much greedy as they are anxious and depressed. Yet the two conditions are hardly unrelated – medieval Catholics often described greed as an "anxious" hunger. So we shouldn't be surprised to find the mobster Tony Soprano popping Prozac in his tacky palace of a home. Greed is a symptom of the American "dis-ease," not its cure.

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A Democratic Mania

Greed is by no means a new phenomenon. As Mark Twain put it, "Money lust has always existed, but not in the history of the world was it ever a craze, a madness, until your time and mine." He was speaking at the end of the nineteenth century – an age of robber barons and Newport mansions that in many ways is comparable to the 1990s. Yet there's an important difference between the two ages. In the Gilded Age, only the wealthy could be greedy. The 1990s saw the democratization of greed. As corporate America moved from providing defined benefit pension plans to offering defined contribution plans, and as more and more employers introduced employee stock-option programs, the number of individual Americans holding stock almost doubled from the levels of the 1980s to about 84 million people – representing about 50% of all American households. Inevitably, middle-class America became attuned to and entranced by the vicissitudes of the stock market. And when people began to realize the seemingly unlimited amounts of money that could be made in the new economy, everyone wanted in. We started to see outsized investment gains almost as a right of citizenship.

It's hard to pinpoint just when the mania began. The 1960s were certainly a period of idealism, and the scandals of the Nixon years ushered in the moral presidency of Jimmy Carter. But at some point in the early 1980s, as Americans began to put Watergate behind them, and Wall Street soared, greed and conspicuous consumption started to become respectable again. Events seemed to validate the new morality. "With the fall of the Berlin Wall," says organizational researcher Rakesh Khurana, an assistant professor at Harvard Business School and the author of *Searching for a Corporate Savior: The Irrational Quest for Charismatic CEOs,* "the free markets and free enterprise came to take on an almost religious quality. The market

was seen as the reason why we triumphed over Communism, and it became a crusade. We believed that every problem could be solved by the markets. If you have a problem with education, let the market solve it. Pollution? Let the market take care of it." When you elevate the "invisible hand" of the market to religious status in this way, greed ceases to be a deadly sin and instead becomes a life-affirming virtue.

As our greed grew, the institutions that traditionally temper our baser instincts began to amplify them. Take university education, for instance. Ideally, the undergraduate classroom is supposed to broaden students' thinking, to get them to value culture and ideas above the merely material. But in 1980s America, the liberal arts began to seem quaint and outdated. We increased our emphasis on vocational education, particularly the very practical arts of finance, marketing, and management – disciplines that fuel the drive for material gain. Undergraduate business studies, for example, barely existed 25 years ago; today it is one of the country's most popular majors. But if all education is subordinated to the purely practical, when do young people explore and develop their values and see their experience in a larger context?

The popularity of an undergraduate business degree is in large part a reflection of the extraordinary popularity of graduate business education. The number of MBAs granted since 1980 has more than doubled. By majoring in business as undergraduates, talented and ambitious students hope to better prepare themselves for their professional careers – and their eventual stint at one of the country's top business schools. But without the kind of moral preparation a liberal arts background can provide, postgraduate business education can be deeply corrosive. "Leading business schools certainly played a role in legitimizing the culture of easy money in the late 1990s," says Joan Magretta, a former editor at HBR and the author of the book *What Management Is: How It Works, and Why It's Everyone's Business*. "The MBA was turned into a two-year sabbatical for students to write business plans that could make them very rich, very fast. The pitch business schools made to students in the late nineties was, 'You'll need connections. We've got them.' When that becomes a primary, explicit selling point for

management education, then you have to wonder what the schools are really teaching." Magretta, herself a graduate of Harvard Business School, is not the only critic of MBA programs. In these pages, back in May 1998, Stanford Business School professor Jeffrey Pfeffer was blaming the "economic model of human behavior widely taught in business schools" for the widespread myth in corporate America that individual incentive pay drives creativity and productivity.

Academe wasn't alone in failing to contain the greed of the 1990s. The press, a traditional check and balance in the American system, fanned rather than dampened the flames. In its rush to attract and hold onto a public increasingly obsessed with the stock market, the press became ever less critical of business. When Mr. and Mrs. Everyman wanted to read more about business, they didn't want information about balance sheets or the intricacies of accounting. They wanted to read about the exciting lives of larger-than-life executives, with their limousines, private jets, and options packages. The sober analysis of financial results and business strategies was replaced by the kind of personality reporting you get in *Vanity Fair* and *People.*

The Backlash

Now business is reeling from the inevitable – and equally puritanical – backlash. Having created the image of the CEO as hero, the press is now busy portraying the CEO as crook. It is, of course, just another form of pandering to the public, though this time the intent is to relieve us of our own culpability. We aren't the greedy ones – *they* are. In a strange and disturbing coincidence, our anger seems to be exaggerated by the destruction of the World Trade Center, which happened just before the initial disclosures of Enron's malfeasance. The terrorist attacks – and the selfless actions of firefighters and police officers in reaction to them – exposed the essential selfishness of greed. Americans were suddenly repulsed by what they had become.

But as we try to blame others, we will likely go too far. In vilifying greedy CEOs, we may end up turning away from the very people who are most qualified to provide good corporate leadership in the difficult days that lie ahead. In one recent article on greed, the *New Yorker* argued that "Above all, it is time to downsize the myth of the all-powerful CEO...[m]ost CEOs are eminently replaceable." There may be some truth in this, but many of the psychologists I talked with believe that there is a strong argument to be made in defense of the narcissistic personalities we have begun demonizing. As Richard Geist of the Institute of Psychology and Investing points out, CEOs "do need to have a certain amount of grandiosity if they are going to lead. Without large egos, most CEOs generally can't successfully grow their companies." Replacing ambitious egotists with modest men may soothe our rage, but it may also further damage our economy. In comparing Winston Churchill with his one-time opponent Clement Attlee, a critic claimed that Attlee was the better man because he was more modest. Churchill, with characteristic wit, riposted, but "he has much to be modest about."

In his classic *Book of the Courtier,* Italian Renaissance statesman and author Baldassare Castiglione argued that the perfect courtier needed to be practiced in "discipline." By this, Castiglione didn't mean chastisement, subjugation, or penance. In Latin – the language of educated people in that day – *disciplina* meant "training, an ordered way of life." In other words, the people best suited to serve a community are those who have trained themselves to be aware of their baser instincts, such as greed, and have integrated them into their personalities in a way that creates order and meaning. Freud agreed that this method of discipline is the central challenge facing us as human beings. He argued that our mission is to make the unconscious conscious so that we can sublimate our instincts to the greater good. "Where id was," he wrote, "there ego shall be." That wouldn't be easy, Freud conceded, but civilization is worth the effort.

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"Here are Dave and his bodyguards with the stock market report."

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