
Faculty Profile

Ray Horton

Frank R. Lautenberg Professor of
Ethics and Corporate Governance

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Ray Horton, Frank R. Lautenberg Professor of Ethics and Corporate Governance, has taught at Columbia Business School (CBS) since 1970. A lawyer and political scientist, Professor Horton teaches the popular course Modern Political Economy, or MPE for short. Professor Horton founded the Public and Nonprofit Management Program at CBS in 1983, which was the predecessor for the Social Enterprise Program. In 2009, he was named Faculty Director of Social Enterprise programs in the School's Executive Education division. Outside of his commitments at Columbia, Professor Horton served two years as Executive Director of the Temporary Commission on City Finances during the New York City fiscal crisis in the mid-1970s, and later served 15 years as Director of Research and then President of the Citizens Budget Commission.

You're a lawyer and political scientist. Can you describe the path that led you to Columbia Business School?

It was almost completely serendipitous. The Dean of the Columbia Business School in 1969 was looking for a young faculty member who was not a student of business, narrowly defined, because the University in general and the School in particular had been the site of a number of antibusiness protests by Columbia students in the late 1960s. So, I think the Dean was looking for a faculty member who was cut from a little different cloth.

Given the current political and economic climate, have you noticed a change in students' political opinions in your class?

Not so much in the last two or three years. The change in student values really began more than a decade ago. There just aren't that many Gordon Gekkos cruising the halls of Uris these days. There's still a healthy set of competing values, which is evident in most every MPE class, but even the most traditional MBA students understand that business as usual doesn't cut it anymore given the globalization of business and climate change.

The best indicator of the change in student values and career interests lies in the spectacular growth in the Social Enterprise Program in the past decade or so. The clubs that the Social Enterprise Program services, the Social Enterprise Club, the Green Business Club and the International Development Club, include about 500 students with no double counting. A decade ago that number was probably closer to 50. So, to answer your question, I'm sure the Great Recession has caused some students to rethink their career options, but the sea change in values began well before the latest tanking.

Can you describe the value of the different perspectives that international students bring to the classroom?

My core teaching philosophy is that, in a class of 73 bright, well-experienced, well-trained, well-educated business school students from all over the world, it's a crime in a class like MPE if learning is a one-way street from professor to students. The goal is to get everybody learning from everybody else. And, of course, international students, particularly in a course like MPE that's heavily international, bring tremendous knowledge and dimensions of understanding that otherwise wouldn't be there.

Do international students know more about political economy when they arrive at Columbia Business School?

It depends. European students, particularly Italian students, get more exposure to political economy in their undergraduate programs than American students, who are limited by their specializations in economics and political science. There's a much greater intellectual division in America between political science and economics than there is in Europe. European students understand quicker that politics, business, states and markets are not free-standing silos in the world of practice. On the other hand, Asian students are less exposed to political economy in their training than American

students. Some of my most sophisticated political economy students over the years have been from the former Soviet Union; they had a chance to see first-hand what “scientific socialism” brought to the real world.

We recently celebrated the 20th anniversary of the falling of the Berlin Wall. From a political economy perspective, what have been the most important effects of this event?

Two things come to mind. The first is the driving of the final nail in the Communist coffin and the opportunity this provided the United States and other democratic capitalist countries to show their wares. The second is that the fall of the Soviet system proved to be a huge destabilizing force in international relations. Terrorism, war and national fragmentation have been on the rise in the past two decades. The Cold War was ominous, but it brought a degree of stability to international relations that has proven hard to recapture.

America has dominated the period since then both politically and economically, but the current economic crisis has called this unilateral framework into question. Is there a power vacuum? If so, what nations will step up to fill it?

American influence in the world has obviously declined substantially since the beginning of the 21st century. The issue is whether it's the beginning of a long, slow decline, because we know from history that no nation stays world leader indefinitely, or whether it's a temporary decline induced by all of the bad things that have happened to the United States during the first 10 years of this century: 9/11, the Bush presidency, the wars in Iraq and Afghanistan, the debt crisis, the Great Recession and huge deficits. The jury is still out on that question.

Longer term, American influence in the world is going to decline. It's inevitable. In relative terms—which is how we need to understand power and influence—our shares of the world's economy, population, military resources and ideas will decline. The United States will remain a major power during the professional lives of our students, but it will increasingly share that power with other nations and regions.

You founded and headed the program that became the Social Enterprise Program for 25 years. What led you to start this program, and how did you recognize the need for this type of education in a business setting?

During the New York City fiscal crisis, I spent two years on leave from the Business School running a commission charged with coming up with solutions to the City's fiscal problems. I came to understand that the City's fiscal problems were to a large extent a function of its managerial problems. So putting two and two together, it seemed like it would be a good thing if Columbia Business School began to train some people to work in municipal government. That was the genesis of the School's Public and Nonprofit Management Program. While that program focused on the public sector initially, the 1980s saw major growth in the nonprofit sector. As a result we began to place more students in the nonprofit sector than in government. That program eventually morphed into the Social Enterprise Program.

Does social enterprise mean different things for organizations in the United States compared to organizations in developing nations?

I think it means different things to different people in different universities in the United States. There isn't really any commonly accepted definition of social enterprise. For us at Columbia, it is simply the application of business skills, training or management to the solution of social and environmental problems. We apply that concept to a broader range of organizations than most of our business school competitors. Social enterprise involves more than nonprofit enterprise.

We believe you can be a social enterpriser and corporate leader at the same time. We believe you can be a social enterpriser and a public official at the same time. We believe many of our alumni will practice social enterprise from more than one vantage point during the course of their careers. There are a lot of CBS alumni who started out in the business sector, but subsequently went to either government service or running nonprofit organizations. Conversely, some CBS graduates started out in the governmental sector but now run major corporations. And other Columbia Business School graduates went on to make a lot of money in finance and became major philanthropists. So we have a pretty broad and, I think, very good conception that there are a lot of different ways to make the world a better place. We should be training Columbia Business School students under the assumption that at some point in their careers, they're going to be in a position to make the world a better place from more than one institutional vantage point. That is the most distinctive part of the Social Enterprise Program at Columbia Business School.

Social enterprise is much less developed as a concept and as a practice in the rest of the world. Europe has developed good social enterprise programs. It's just starting in China; it's just

starting in Korea. India also has a strong tradition of social entrepreneurship – startups with a social purpose. We’re probably trailblazers in this field.

What do you view as the biggest threat facing businesses and governments?

Global warming, without a doubt.

Do developing nations have different responsibilities in regards to global warming than industrialized western countries have?

Developed nations obviously have the dirtiest hands and need to demonstrate the necessary leadership. We won’t be able to abdicate a role in the process and expect the Chinese and the Indians to do it on their own. The developed nations of the world are going to have to take leadership in corralling all the nations in the world. But that process is off to a very slow start.

My son is a climate scientist at Columbia who specializes in the implications of climate change for the world’s cities. In listening to him lecture or reading his work, I’ve noticed he puts less and less emphasis on forestalling or mitigating global warming and more and more emphasis on adapting to it.

How did you come up with the idea of your Modern Political Economy course?

It is said that necessity is the mother of invention. In my case it was desperation. I’d taught a core course for 20-some years called Conceptual Foundations of Business, which the students aptly dubbed “Confounds.” When Meyer Feldberg became Dean he initiated a review of the core course curriculum that eliminated Conceptual Foundations. All of a sudden, rather than having a captive audience I had to compete for students every term. Since I’d always been interested in political economy, I asked Dean Feldberg for a term off to develop a new elective called Modern Political Economy.

I don’t think he had any idea what I was talking about, but he gave me the go-ahead and I developed the forerunner of what is now MPE. The course was not an instant success. The first few times I offered it, I had a motley crew of 10–12 students, most of them from other parts of the University, but eventually it took hold. (*Editor’s Note: Professor Horton’s MPE class is now one of the most popular courses on campus and routinely sells out for a high price in the first round of bidding.*)

What advice would you give MBA students aspiring to make a social impact in their careers?

Find an organization that will support your efforts to make the world a better place. For the time being that may be a somewhat more difficult challenge if you're going into a business than it would be if you're going into a nonprofit or governmental organization. But things are changing fast in the business world. Responsible business leaders understand that they have to create opportunities for today's business school graduates to be socially responsible or they're not going to be able to recruit them. And more and more business leaders recognize that making money and making the world a better place are no longer inconsistent goals. Times are changing.