



THE DNA OF ECONOMIC LIFE

The struggle against poverty, the effort of work, the building of companies and labour unions—all of these are about cultivating the sphere of economic life so that it is both intrinsically healthy and able to provide the means by which we can take care of our non-economic responsibilities.

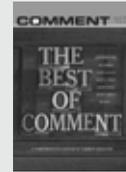
By Gideon Strauss

For about five years, from August 9, 1995, when Netscape Communications went public and doubled the price of its stock in less than 24 hours, to March 10, 2000, when the NASDAQ stock index reached an all-time high, the stock market went on an Internet stock binge.

During this time, one after another dot-com company went public only to see the value of its stock double, triple, quadruple within just a few days of trading.

According to Jim Collins, writing in the magazine *Fast Company*, this stock market bubble was a result of “the intersection of an unprecedented abundance of capital and an explosion of Internet-related business ideas.” For about 10 years, from the mid-1980s to the mid-1990s, the level of venture-capital investment in the United States stayed even, at roughly \$6-billion (US) per year. And then it exploded, reaching more than \$17-billion (US) by 1998. This venture-capital explosion led to a get-rich-quick approach to business, in which one developed a good idea, raised venture capital, grew rapidly, and went public or sold out—all as quickly as possible. Collins calls this approach “an ethic of impermanence.”

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An ethic, that is, built on the premise of constant change.

“Change is the only constant.”

“The pace of change is increasing.”

“We live in a time of ever accelerating change.”

For five years, one could hardly open a business magazine without reading some version of this refrain somewhere in its pages.

The worship of change is nothing new. In philosophy, the belief that change is everything can be traced back to before Aristotle, Plato, and Socrates to Heraclitus of Ephesus. Heraclitus could have been a popular and successful business consultant, had he lived in our time. A key statement in his philosophy is that all is flux. Everything changes. Everything flows. Everything burns like an eternal fire. The world continuously

emerges, anew, out of a relentless process of struggle between opposites.

After the publication in 1973 of Alvin Toffler's bestseller *Future Shock*, North America went mad for change. Toffler's main concern was that the pace of change is increasing. Change is expanding into more and more areas of people's lives. At the same time, a human being's capacity to adjust to this torrent of change is limited.

But, as Toffler's ideas permeated North American society, his concern over the pace of change has been replaced with a widespread fervour for an acceleration in the pace of change. By 1995, business leaders—especially business consultants and financial advisors—took to the worship of change with the frenzied enthusiasm of white water rafters heading for the rapids.

Eventually, almost immediately after March 10, 2000, the Internet raft hit the rocks. The technology stock bubble burst in the faces of many investors, who lost their savings, and many employees, who lost their jobs.

The effects continue to be felt here in Canada, most notably just down the road from where I live in Brampton, Ontario, where Nortel Networks has its head office. When I last checked, Nortel was in the process of laying off 20,000 employees. Now, many of those people are highly skilled and will find good new jobs soon enough.

Most of them presumably have been offered a generous severance package. But still, we are talking about 20,000 households facing a financial disaster, even if only for a few months.

These 20,000 households, and the households of the many more thousands who lost their jobs in other companies when the bubble burst, can lay the blame for this disaster partly at the door of our culture's worship of change, and our failure to pay attention to the enduring design of economic life.

While these are hard times for investors who have lost their savings and working folk who lost their jobs, it is perhaps not a bad time to launch an effort dedicated to mapping the genome of the market. Just maybe, in these tempered times, leaders in economic life will be open to consider a turnabout, away from the casino economy of the dot-com bubble and toward a stewardship economy aimed at leaving a legacy for future generations and based on the enduring design of economic life. This is a good time for getting real.

I have already mentioned Jim Collins. In 1994—in his own words, “just as the whole everything-is-change-and-chaos wave crashed down”—Collins published a book about the organizational underpinnings of economic life that shouted out against the ethic of impermanence. Collins' book, *Built to Last*, hit a chord with readers. It enjoyed

more than 70 printings, translations into 17 languages, and 55 months on the *Business Week* bestseller lists.

According to Collins, the book sold so well because “people were beginning to ask themselves, ‘Is nothing sacred? Is nothing timeless? Is nothing sustainable?’”—and because it gave people a perspective “that they desperately craved.” It said, “Yes, there are some timeless fundamentals. They apply today, and we need them now more than ever.” And, it “affirmed that the essence of [business] greatness does not lie in cost cutting, restructuring, or the pure profit motive.” Instead, “it lies in people’s dedication to building companies around a sense of purpose—around core values that infuse work with the kind of meaning that goes beyond just making money.”

Please don’t misunderstand me. I have great respect for the making of money. It is an essential part of alleviating poverty. I grew up in South Africa during the 1960s, 70s, and 80s. South Africa suffered about 40 per

cent unemployment for much of that time. I only really realized the extent of South African poverty in my teens, when I made friends with black kids of my own age, and visited their homes. The contrast between the racially segregated white suburbs and black townships of my home town was heart-wrenching. Where I lived, we enjoyed a quality of life on par with that of most Canadians. Where my friends lived, the streets were unpaved, running water was only available from a tap at the end of the street, where you had to line up with a bucket, electrical power came from a car battery, and garbage collection almost never happened.

The causes of poverty in South Africa are as complicated as they are anywhere else. *Apartheid* played a significant role, as did the colonial policies of imperial Britain before 1948, and the centuries-old cultural attitudes of South Africa’s various peoples. The consequences of poverty were—and continue to be—devastating. Facing those consequences as a teenage boy, facing them



in the lives of my friends, has burned into my heart a deep commitment to the struggle against poverty.

But the struggle against poverty is not just about raising income levels, and the purpose of business isn't just profit. Income, profit—this is economic oxygen. And just as we do not live to breathe but breathe to live, so we do not work only to earn or build companies just to make a profit.

The struggle against poverty, the effort of work, the building of companies and labour unions—all of these are about cultivating the sphere of economic life so that it is both intrinsically healthy and able to provide the means by which we can take care of our non-economic responsibilities.

Economic cultivation is not child's play. It requires practical wisdom, entrepreneurial imagination, and sheer hard work to build a business, to organize a trade union, to craft fiscal or labour policy. We live in a reality characterized by an irreducible complexity that is neither transient nor random. To develop economic wisdom, that is, to make practical sense of economic life amidst all of this complexity, we must pay attention to the traces of its enduring design.

Particular markets differ from one another as much as individual people do. To insist that there is one best way in which to

cultivate a market, build a company, organize a union—that there is no alternative—is almost as deplorable as insisting that every human being should be blond, blue-eyed, and six feet tall.

But while every human being is a unique composition of chemical, biological, emotional, and moral elements, and while the human genome is immensely complex and took enormous effort to decode, the basic design patterns that make up our genetic information is sufficiently simple that the human mind can form an idea of it. It should similarly be possible for us to trace the design patterns of the human economy.

Economic science since its founding by Adam Smith has developed a sophisticated and powerful apparatus with which to analyze the remunerative incentives which people face. It is true that as consumers, people will generally look for the lowest price on products of equal quality, and that as producers, people will want to build profitable enterprises. Furthermore, governments will, much of the time, be interested in the monetary costs and benefits of changes in policy and administration, and in how these affect various groups of people.

These established patterns of behaviour do actually take place in a distinct sphere of interpersonal action, the sphere of economic life. At its best, this sphere of economic life takes the shape of a market, with diverse, interdependent suppliers and demanders exchanging goods and services

by means of some shared currency. And by their interactions, these suppliers and demanders generate the prices of goods and services as well as the volume of transactions at any given price.

But mainstream economics makes at least three significant mistakes in the worldview framework within which it studies the design of economic life.

First, it reduces all of life to the calculation of material gain, reducing reality to its economic aspect. It loses sight of the complexity of life beyond the measure of money, and of the purpose of life beyond the attainment of profit.

Second, it reduces economic life to the decisions of individuals acting in sheer self-interest (mainly calculated in terms of income or consumption). It loses sight of the rich social weave of interpersonal and inter-group relationships that makes economic life possible without itself being guided by economic calculation.

And third, it presumes that these individuals are able and willing to evaluate every situation of economic exchange with an invincible rationality. It loses sight of the many ways in which human persons are simply not rational.

To correct these mistakes, economics needs an inner reformation that goes beyond a simplistic reduction of life to economics, and recognizes the wonderful complexity

of the world; that goes beyond an individualistic method of analysis, and takes into account the social nature of the human person; and that goes beyond a short-sighted rationalism, and acknowledges the varied motivations that prime human decision-making.

Such a worldview reformation of economics is not just of academic importance but is necessary for the cultivation of an economy that cherishes the dignity of the working person, that protects and restrains economic life within its appropriate sphere, and that weaves strong bonds of cooperation among investors, managers, and workers in a context of social partnership among companies, labour unions, and governments.

The renewal of economic practice is not primarily an academic task. It is the task of civic entrepreneurs—leaders in economic life (whether in business or labour organizations, in elected office, or opinion leaders in academia and the media) who will engage in the pursuit of social renewal in service of the common good.

When people think of business entrepreneurship, they usually think of the small business person starting a new venture. Peter Drucker, the father of management theory, suggests this popular image does not go far enough. In his view, business entrepreneurship is about structural innovation, of creating new markets by finding new ways to provide value to customers. Civic entrepreneurship is similarly about

structural innovation, in this case finding new ways to serve the public good, in the economic realm and in all spheres of society

As a think tank, one of our most important challenges is to serve as a bridge between academic researchers who work at economics as a science, and the business, labour, and political leaders who shape everyday economic life. We need to help enable a dialogue between academics and practitioners about the inner reformation of

economics as a science and the worldview renewal of economic life. Together we need to capture the practical wisdom needed to cultivate work with dignity, organizations with purpose, and stewardship with generosity. Business, labour, and political leaders need to think and talk about the economic imperatives that endure, no matter how much the pace of change accelerates. **Q**

This article is based on an address delivered by Dr. Strauss on April 26, 2000, in Toronto.



GIDEON STRAUSS was the editor of *Comment* from 2000 to 2010. He also formerly served as executive director of the Max De Pree Center for Leadership and a faculty member at Fuller Theological Seminary, as well as the editor of the De Pree Center's online publication, *Fieldnotes Magazine*.