

Conscience Capitalism

Rethinking the relationships among capitalism, creativity, entrepreneurship, government, compassion, and philanthropy.

By Frederic Fransen

WITHIN A YEAR OF FOUNDING the store that became Whole Foods Inc., John Mackey realized there was something wrong with his worldview. As a self-described “crunchy granola type” with decidedly left-wing views, he hadn’t gone into business to make money, but rather because he was attracted to the idea of helping others share his values through the creation of a health food store. He didn’t think of himself as a capitalist, but he soon realized he was not so different from other business owners. Moreover, the school of hard knocks was teaching him that

entrepreneurs were not greedy capitalists. His (then-unseen) profits, it turned out, were not the result of exploitation, but rather an essential and advantageous byproduct of voluntary exchanges in which both parties benefited.

This frequent insight of one-time leftists who enter the practical world of business—liberals being mugged by reality, as the old saying would have it—fundamentally altered the trajectory of Mackey’s thinking. He became a wholehearted supporter of free markets and a cheerleader for the cultivation of the entrepreneurial

spirit. But unlike many one-time leftists, even after leaving behind his jaded view of businessmen, he never abandoned a deep desire to orient his life around making the world a better place. Whole Foods embodies these two desires: a highly profitable company with a mission to improve the world.

Mackey eventually crossed paths with Michael Strong, an educational entrepreneur with a deep commitment to liberty and an abiding passion for helping the needy to become high achievers. In 2003, they decided to create a new bottom-up initiative to grow and spread their shared values. They call this initiative Freedom Lights

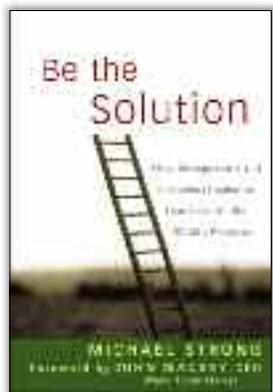
Our World Inc. (FLOW). FLOW is difficult to define. It is part philosophy, part grassroots movement, and part think tank.

Be the Solution is likewise difficult to define. Authored by Strong with a foreword and contributions by Mackey and a prominent cast of co-authors, it is partly a manifesto and partly a primer on free markets, entrepreneurship, and liberty. At its heart, it is a provocative call for all of us to rethink the relationships among capitalism, creativity, entrepreneurship, government, compassion, and philanthropy.

Be the Solution is an attempt to forge a new worldview, a worldview that Strong and Mackey call “conscious capitalism.” The term is reminiscent of Bill Gates’ “creative capitalism,” a concept which Gates first outlined at the January 2008 World Economic Forum in Davos, Switzerland. Nevertheless, Strong and Mackey had been working on their book for several years when Gates made his speech. The similarity of the concepts may be a coincidence, but it is a telling coincidence—one that speaks to the entrepreneurial perspective within the current generation of philanthropists.

Conscious capitalism is founded on two ideas. First, it recognizes and applauds what is fast becoming a consensus on world poverty: namely, that the best way to help poor people is not by redistributing wealth, but instead by introducing and cultivating the institutions, practices, and habits of capitalism. These include free markets, property rights, and the rule of law. Despite a growing world population, more people have been lifted out of poverty in recent years than at any time in history. The overwhelming cause of this is the adoption of free-market institutions in poor countries. FLOW therefore breaks with those on the left who continue to argue that “capitalism equals exploitation.”

While accepting the underlying economic arguments for capitalism, however, Strong and Mackey also



**BE THE SOLUTION:
HOW ENTREPRENEURS
AND CONSCIOUS
CAPITALISTS CAN SOLVE ALL
THE WORLD'S PROBLEMS**
by Michael Strong,
with a Foreword by
John Mackey
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break with much of traditional free-market theory by challenging one of the core ethical principles of capitalism, namely the argument, made famous by Milton Friedman, that the sole purpose of the corporation is to maximize profit. The conscious capitalist, according to Strong and Mackey, can organize his business with all sorts of aims other than maximizing profit, including promoting social good. In essence, they argue that successful entrepreneurs should feel free to become successful social entrepreneurs, and there is nothing wrong with either. They might even do so within the same business, once it reaches a certain level of profitability. Better yet, they can create or operate new businesses with explicit social goals including, but also going beyond, making a financial profit.

One of the propositions of *Be the Solution* is that knowledge about how to solve the world's problems is diffuse. This is essentially an adaptation of one of the core ideas of Friedrich Hayek. Hayek argued that only individuals and small groups can know in what way they can be most productive, what are the most cost-effective raw materials to use, and how they should apply their energies in the most beneficial way in order to create something of value to others. Even the largest supercomputers, Hayek would argue, are incapable of gathering and processing all the knowledge necessary to allow centralized economic decision-making. Such knowledge can never be effectively captured in a centralized plan, because it is spread too widely among too many economic actors whose perceptions of relative value are too quickly changing.

Hayek's framework forces us to focus on the economics of production rather than distribution. The best way to solve problems is thus to unleash the creative spirit and pro-

ductive power of individuals. Instead of channeling our altruistic impulses into political strategies to "share" the wealth, we should instead encourage the entrepreneurial spirits among us to focus their energy on finding market-based solutions to improving the world by increasing the productive powers of everyone.

The book is divided into four parts. The first explains and celebrates the life of the entrepreneur

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and the entrepreneurial spirit. The second part describes the philosophy of conscious capitalism, and includes a chapter by Nobel Peace Prize winner Muhammad Yunus, founder of Grameen Bank, which pioneered micro-lending. The third part of the book looks at some of the practical requirements for promoting entrepreneurship as the tool for solving problems. Its concluding chapter, by Strong, summarizes a central thesis of the book:

Here I will propose that the reason that capitalism has resulted in such crass consumerism and materialism is, paradoxically, because we do

not have enough of it yet. In particular, by managing health, education, and community formation by means of government, we have prevented the most powerful force for innovation the world has ever known from releasing its innovative powers to improve our health, to improve our education, and to improve our communities.

In other words, Strong and his co-authors argue that the problems we face are not the result of too much economic freedom, but rather too little. They are a consequence of the interventions of the state inhibiting our ability to generate new wealth through the exercise of that very freedom. Such a statement may appear to be hyperbole, but Strong and Mackey are not interested in circumscribing the realm of freedom in any pre-determined way. In addition, the purpose of the book is not to distinguish the proper space of private versus government action. Rather, it is to encourage people, particularly on the left, to reorient their efforts toward developing entrepreneurial solutions to society's problems. They believe the best, and perhaps only, way to help the needy is to unleash the potential of creative individuals to solve the world's problems through the pursuit of market or market-like solutions, both for-profit and nonprofit.

The final section of the book takes these thoughts on changing attitudes toward business and applies the idea of conscious capitalism to personal philosophy. Mackey believes that an expanded definition of the bottom line should also apply to how we think about our personal lives. To be rich is not immoral. But to be truly rich requires not only financial wealth but rather wealth in all aspects of life. Our personal lives

can be profitable only if all those we touch benefit from their exchanges with us. This includes ensuring that our effect on future generations is also positive, that we pass along no fiscal or ecological debts to our children.

Be the Solution is an ambitious book, and as such I doubt its authors expect or would want it to be considered the last word on rethinking our attitudes toward capitalism. While celebrating the power of creative diversity and the need for a plurality of solutions to address the world's needs, it tends to assume that we all agree on the nature of the underlying problems. For instance, it endorses market-flavored cap-and-trade policies to reduce global warming with-

out recognizing that other countries—or even much of our own—do not agree on many of the underlying assumptions driving the push toward reducing or eliminating carbon dioxide emissions. Similar and profound disagreements exist on issues like population growth.

(It would be interesting to see how the authors could incorporate notions of a psychologically complex and morally pluralistic world into their understanding of conscious capitalism. Since not everyone agrees about the relative importance of the environment, health care, or the meaning of happiness, how should conflicts be resolved among those who place fundamentally different values on them?)

The book is peppered with novel thoughts on philanthropy. The purpose of *FLOW* is to create a dialogue and perhaps even a community of visionaries who understand that for-profit businesses can be thought of as philanthropic, especially if they see their mission as going beyond short-term profits. Likewise, just because an organization is legally “non-profit” doesn’t mean that it is effective at generating good, or even doing any good at all. Instead, the founders of *FLOW* encourage us to look beyond the legal divide between the two kinds of organizations and instead think of the public good as an inspiration for all free activity. The “love of man,” *phil-anthropos*, can be the driving force behind any enterprise. P