Creative Capitalism: A Conversation with Bill Gates, Warren Buffett, and Other Economic Leaders

From Simon Schuster
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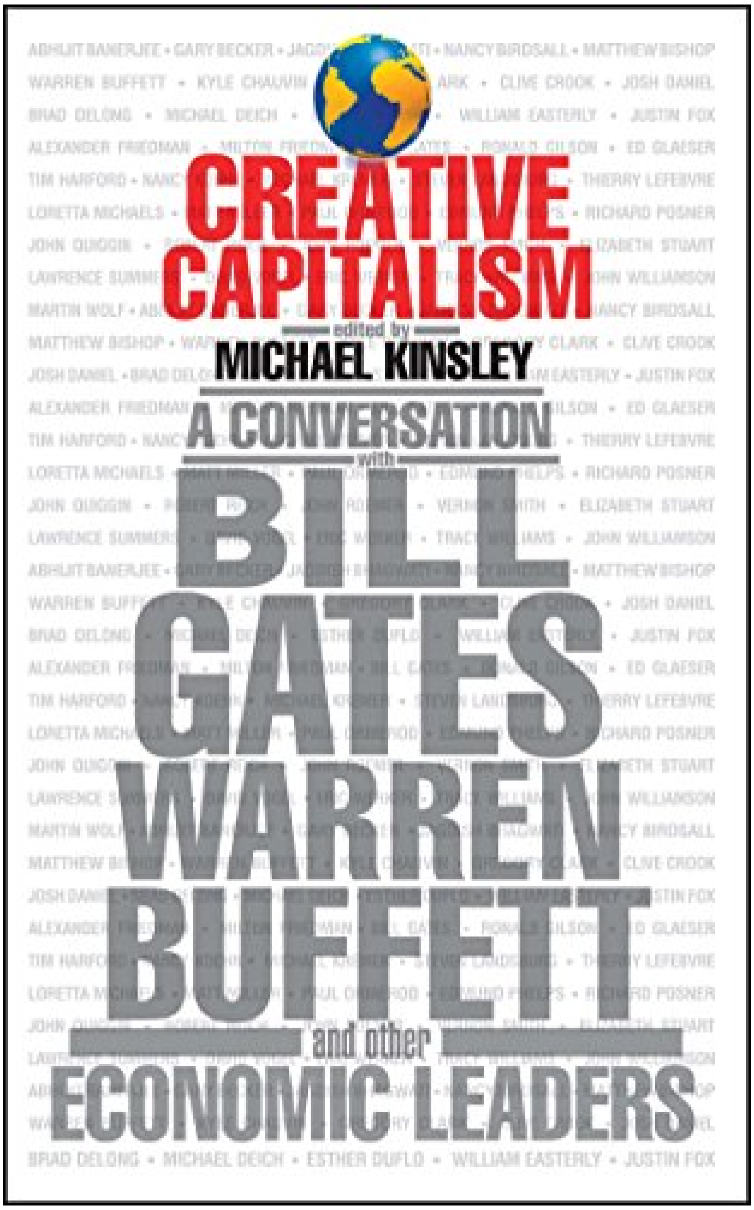

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From Simon Schuster : Creative Capitalism: A Conversation with Bill Gates, Warren Buffett, and Other Economic Leaders before purchasing it in order to gage whether or not it would be worth my time, and all praised Creative Capitalism: A Conversation with Bill Gates, Warren Buffett, and Other Economic Leaders:

1 of 1 people found the following review helpful. Great discourse on a cutting edge topic by brilliant mindsBy The DudeThis was an easy read with short readable chapters. The discourse was smart and witty and the contributors consist of some of the most brilliant minds of our time. This was a great book to read for business people, entrepreneurs, and politicos. I truly enjoyed the dialogue, the format, and the subject matter, and it gave me a lot to think about.0 of 0 people found the following review helpful. excellentBy Diane C. SantucciI received this book long before the expected date of delivery. It was in exactly the condition that I was told it would be. This was excellent.1 of 1 people found the following review helpful. Noble effort that fails to converge on ideas...By Michael HarringtonThere are basically two teams in this match of ideas, with several participants trying to referee. On one side are the economists by trade, who are very skeptical about non-market criteria in economics. On the other side are the non-economists who believe the art and science of economics needs to be broadened, but are unclear on how this can be accomplished. Notably, I found the most refreshing approach of the many experts participating in the blog offered by perhaps its youngest contributor ndash; the student Kyle Chauvin ndash; who argued how we need to expand the reach of traditional, or profit, capitalism, not only around the world but to the overlooked corners of the developed world as well.Unfortunately, the two sides never really converge in this debate and I suppose that may be why the conversation disappeared from public discourse (only 7 reviews?). Both sides accept some common premises that need to be challenged in order to break out of the box we find ourselves in on these issues.These premises derive from the neoclassical school of economic theory that laid the foundation for general equilibrium theory in macroeconomics. Specifically, actors within the economy are classified according to a loose application of factor analysis, so we have workers, entrepreneurs and small business owners, corporate firms and managers, investors, savers, lenders, borrowers, consumers, and political actors. Then we lump these categories into producers, savers, and investors on one side versus consumers, workers, and borrowers on the other. The consensus seems to settle on the idea that some people produce and so policy should empower this production. Then successful producers can be taxed by political actors, and/or encouraged by philanthropy, to redistribute the wealth to non-producers for reasons that range from compassion to demand stimulus.Capital accumulation and equity ownership in capitalist enterprise is an essential form of participation in the modern global market economy. Concomitant with ownership is the question of control in governance and risk management as the flip side of profit. But instead of focusing on how wealth is created and distributed through these market structures and institutions, we insist on dividing capital from labor and then try to redistribute the outcomes by political calculus, or by corporate largess. This is industrial age capitalism and such a mode of production will never accomplish what we hope to through creative capitalism. (I do agree with Clive Cook that we need a better termmdash;maybe Inclusive Capitalism or the Singularity, to borrow from Ray Kurzweil.)The problems that corporate social responsibility (CSR) seeks to address are rooted in the skewed distribution of productive resources across society, widening the gap between the haves and the have-nots. But taxing the haves to give to the have-nots is a self-defeating form of compassion. We should try to adhere to the Chinese proverb about teaching a hungry man to fish so that he eats for a lifetime. This can be put most plainly by asking the following question: If corporations work solely to enrich shareholders, then why arenrsquo;t we all shareholders? To widen the economic net even more, why arenrsquo;t all enterprise stakeholders shareholders?Equity participation may also be the most viable way to promote ldquo;recognitionrdquo; as a complement to profit maximization, as stakeholders have a broader range of interests, of which immediate profits is only one. This idea also focuses our attention on the real problem of free societies: agency failures and governance. Market economies depend on a multiplicity of agent-principal relationships in economic enterprises and political institutions. The abuse of these relationships is the mark of cronyism that dominates public attitudes toward ldquo;undemocraticrdquo; capitalism these days. This is not an easy problem to solve, but suffice to say equity ownership, control, and risk management must be as open, transparent, and competitive as possible. This is the only way to confirm that these relationships are accepted as just.The only sustainable solution to world poverty and the skewed distribution of resources is the creation of a worldwide, self-sufficient, productive middle class. This is as necessary for democratic politics as it is for economics. For the middle class to grow, it needs access to resources, mostly financial capital and technology these days.We can point to the history of land homesteading that built the American Midwest, and just recently, the idea floated by Michiganrsquo;s governor to promote homesteading in Detroit for foreigners. Societyrsquo;s resources need to be spread far and wide in order to reap the benefits of innovation and adaptation, while maximizing the utilization of these resources. The financial imperative of capital is to maximize return, but the socioeconomic objective seeks to do so by combining capital with labor. This flies a bit in the face of the efficiency argument that some people are better at managing risk and creating wealth, so specialization of function should favor the risk managers on Wall Street. The problem is that we never know where to find the successful entrepreneurs and job creating small businesses of the future, only those of the past. And Wall St. only considers those who manage to squeeze through the narrow access door.Without angel capital provided by family relations who merely saved and accumulated their personal wealth, many enterprises would never see the light of day. At the early stages, venture capital money is too costly or unavailable. This story is repeated across the economy, yet todayrsquo;s concentration of capital in venture firms, hedge funds, private equity, buyout firms, major bank holding companies, etc. narrows capital access to those who already have it. The proliferation of

ideas must be forced through this bottleneck, to what end? Better that individuals, families, small group networks, etc. are empowered by policy to accumulate their own capital to put at risk in entrepreneurial ventures. After all, sometimes the idea is not so sexy and may be nothing more than a new restaurant idea or a better mousetrap. In a world where the future is unknown, we canrsquo;t lock ourselves into narrow investment models built on the past. Likewise, we should not underestimate the ancillary growth Microsoft seeded by enriching its own shareholders.The key point, which cannot be overemphasized, is that broad capital accumulation achieves double the impact of other policy options. First, it helps finance ideas, innovation and entrepreneurial risk-taking that will increase labor utilization, spreading the risks and benefits of economic growth. Second, accumulated financial assets, or savings, help mitigate economic risks of unemployment, health, and retirement through self-insurance. This reduces political demands on the state's safety-nets and the tax and redistributive policies on productive effort that hampers economic growth. Essentially, policies that promote broad-based capital accumulation are a win-win for all citizens of a democratic capitalist society.