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100 YEARS REFLECTION

Most economists, politicians and business leaders believe in the doctrine of “bigger is better” – that perpetual economic growth is necessary to maintain prosperity and social harmony. While this formula worked for much of the industrial era, it has in the past few decades become counter-productive. If humanity wishes to survive and generate meaningful value over the next hundred years, this mindset must shift radically.

The tragic flaw in the “bigger is better” doctrine of industrial capitalism is its dismissal of marginal effects. Whenever the marginal costs of an economy or business exceed marginal benefits, the enterprise becomes self-destructive. Unfortunately, that’s where we are now. If we include the costs of ecological destruction, mineral depletion, global climate change, fraying social safety nets, compounding interest and bank bailouts, the expense of maintaining our current system vastly exceeds the benefits.

To keep the false hope of GDP growth alive – and the promises of social comity that arise from those hopes – governments today conceal the growth of ecological and social overhead costs via deceptive national accounting and by hiding sensitive data. Such manipulation distorts pricing data, which in turn muddles rational decision-making.

Consider how the U.S. Federal Reserve spent or lent \$29.6 trillion to bail out the banking system between 2007 and 2009 – a sum that was double annual GDP.* This astonishing information was withheld from the public until the Fed was sued for its release under the Freedom of Information Act. Although most bailout funds have been repaid, the fact remains US debt is growing three to six times faster than GDP. The lower ratio of GDP is based on total credit market debt outstanding (explicit debt). The higher number includes the implicit debt of underfunded liabilities to Social Security, Medicare and Medicaid.

A full cost accounting of GDP should include all costs, not just those that governments and business want us to

see. Absent this information, we cannot competently price risk or make rational economic decisions. To create a sustainable future for the next 100 years we must be able to see with clear eyes and operate from a realistic worldview.

Fortunately, a renaissance in economic and business thinking is developing, which understands this necessity and conceives a more effective way forward. It arises from a biocentric perspective rather than the mechanistic one that emerged from the industrial revolution. Unlike a machine, which has little or no consciousness, the new thinking works much like Nature, continually sensing, learning, adapting and creating as it goes.

The corporate leaders of this emerging renaissance mimic life in the ways they are organized and managed. They seek harmony with the living world rather than control or dominance. This radical cultural shift catalyzes extraordinary creativity and profitability. Its operating leverage – much like that of leading NGOs and transition towns – arises from engaging people’s hearts as well as their minds. Its energy is derived from a unifying sense that if we are an interdependent species and if we don’t adapt, we die.

To paraphrase the late Joseph Schumpeter, we live in an era of “creative destruction.” Obsolete systems are failing as more creative ones rise to take their place. The question for us then is: “To be or not to be”: Whether to become active change agents in the exciting renaissance now unfolding or to drift towards destruction along with apologists for the old system.

*James Felkerson, Nicola Matthews, “29 Trillion: A Detailed Look at the Fed’s Bailout by Funding Facility and Recipient,” *Levy Economics Institute at Bard College, Working Paper #698, December 2011. www.levyinstitute.org/publications/?docid=1462*