

Tulane University

2010 NYC Summer Lecture

“Altruism, Capitalism, and the Enlightened Entrepreneur”

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Freeman School of Business

Adam Smith (1723-1790)

- “The Theory of Moral Sentiments” 1759
- “An Inquiry into the Nature and Causes of the Wealth of Nations” 1776
- Pursuit of “Enlightened Self Interest,” and the Invisible Hand
- Opposed slavery, the empire and colonialism, and championed higher wages for the poor
- Championed a Laissez-faire approach to the economy while restricting monopolies

Founding Fathers, the Constitution, Declaration of Independence, and Bill of Rights

- “We hold these truths to be self-evident that all men are created equal,”.....
- Influenced by Adam Smith, David Hume, the Scottish Enlightenment
- Balance political and economic power in order to create both peace and prosperity
- Independent legislative, judicial, executive powers; private property, free market economy, individual rights and responsibilities)

James Madison (1751-1836)

- 4th President of the USA
- Author of over 1/3 of the Federalist Papers
- Father of the Constitution and The Bill of Rights

James Madison on the Nature of Man

“What is the government itself but the greatest of all reflections on human nature? If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself.”

Laissez-Faire and Classical Liberalism

- Ludwig Von Mises (1881-1973), Frederich Augustus Von Hayek (1899-1922), Milton Friedman (1912-2006)
- A free market economy combined with independent legislative, judicial, and executive powers is the best formula for peace and prosperity

Keynesianism and Interventionist Economic Policy

- John Maynard Keynes (1883-1946)
- Paul Krugman (1953-present)
- A belief that some are better equipped by nature or training to manage the lives of others without their consent, through a regulatory apparatus overseen by czars and bureaucrats.

Human Nature and Society

- Society based on Fear, Hate, Greed, and Envy results in centralized power, heavy regulation of the economy, crony capitalism or state control of the economy, and redistribution of a wealth
- Society based on Trust, Love, Sharing, and Altruism results in an emphasis on innovation, job and new wealth creation, free the entrepreneurial spirit for the good, volunteerism, and philanthropy

Global Financial Crisis and the BP Oil Spill

- Failure in Markets?
- Failure in Regulation?

Inherent Weaknesses in Regulatory Bureaucracies

- The Problem of Regulatory Capture
- The Knowledge Problem: Impossible for regulators to effectively gather, organize, and understand the data required to regulate effectively
- Regulation today is an island of central planning in otherwise decentralized markets
- 115 regulatory agencies for financial services
- 576 regulatory violations by BP in last 5 years and \$316mm in fines versus 1 violation by Exxon Mobile

Today's Dilemma

- “Big Government overpromises and under delivers. That is not an ideological statement, but an empirical observation.” Gerald O’Driscoll, Cato Institute

The Path Forward

- Einstein defined insanity as the belief that, if we repeatedly do the same thing, we will eventually get a different result.
- Focus on simple rules for a complex economic world
- Education, Economic Freedom, Responsibility, Rewards, and Consequences
- Expect more of ourselves and provide future generations the education and freedom they need to succeed
- Inform our political leaders that we are ready to make hard choices

US Federal Budget 2010

• SS	19.6%
• Defense	18.7%
• Unemployment & Welfare & other	16.1%
• Medicare	12.8%
• Medicare and State child health	8.2%
• Interest on the National Debt	4.6%
• Subtotal	80%
• Discretionary Spending (Defense)	58%

The USA is over leveraged and under employed

- We can no longer afford to:
 - Subsidize the Oil industry
 - Subsidize production and consumption of unhealthy food
 - Continued growth in entitlement programs
 - Nation building with the military to protect multinational corporate interests
 - 9.7% unemployment and and 20% under employment
 - 3.2% of population in prison or on parole (\$47bb in 2008)

Job Creation is the Solution

- Free the entrepreneurial spirit for the good
- Business under 500 employees
 - Generated 64% of net new jobs in last 15 years
 - Produce 13 times more patents per employee than large tech firms
 - Produce more than half of non farm GDP
- Firms under 5 years in age created nearly all net new jobs between 1980 and 2005

Today's evolving theories of entrepreneurs and their role in a Free Market Economy

- Social Entrepreneurs
- Conscious Capitalists

Social Entrepreneurship

- Any innovative initiative designed to help people, protect or enhance the environment, or address social injustice
- SE's recognize when society is stuck and provide new ways to get it unstuck
- SE's solve a problem by changing the system, spreading solution and persuading entire communities and societies to take new leaps

Social Entrepreneurship

- It may be economic or non-economic (LA Philharmonic, Lake Pontchartrain Basin Foundation, Idea Village, Levy Rosenblum Institute for Entrepreneurship, The Tulane Family Business Center, Junior Achievement)
- It may be for profit or non-profit (Whole Foods Market, Second Harvesters of Greater New Orleans)

Conscious Capitalism

- Through the delivery of its products and/or services, the venture seeks to positively affect its stakeholders and the society in which it operates.
- The venture is for profit
- The venture is committed to the optimization of stakeholder alignment rather than to a singular focus on maximizing the returns to the shareholder stakeholder, though it has been shown that this strategy actually maximizes returns to the shareholders

Conscious Capitalism

- The venture exhibits a long term strategy of sustainability with regards to its relations with all of its stakeholders: customers, employees, shareholders, vendors, the environment, the local community, and the government.
- CC's have true passion for the purpose of the enterprise
- CC is not the same as Corporate Social Responsibility

Conscious Capitalism

- "Conscious Capitalism is a movement to promote a species of capitalism that is consciously aware of its power to create a better world by means of authentic value creation."
- "Mutually beneficial voluntary exchanges are the basis for authentic value creation."
- Berkshire Hathaway, Nordstroms, Southwest

Conscious Capitalism

- "Conscious capitalism believes that the social responsibility of business is to maximize authentic value creation."
- "Political decisions are slow, costly, and often based on conflict. Voluntary solutions are fast, creative, evolving, and more frequently based on win-win principles."
- Jet Blue, Google, Patagonia, The Container Store

Examples of some of John Elstrott's Conscious Capitalist Ventures

- Sambazon (sambazon.com)



- Traditional Medicinals (traditionalmedicinals.com)



- Resource Environmental Solutions (resourceenvironmentalsolutions.com)

- Whole Foods Market (wholefoodsmarket.com)

- NuMe (Nutritional Medicines for Health)

- Manitoba Harvest



- Silk Soy Milk

- NextFoods (Goodbelly: juice based pro-biotic: <http://www.goodbelly.com/>)

- Presonus Audio (<http://www.presonus.com/>)



Levy Rosenblum Institute for Entrepreneurship

- Ranked 4th in 2009 out of over 2,600 programs by Entrepreneur Magazine
- Tulane Entrepreneurs Association hosts world's only Conscious Capitalist Business Plan Competition with \$50,000 first prize
- Nuru light wins first prize in 2010:
<http://nurulight.com/>
- Idea Corps in partnership with Idea Village

Tulane University Social Entrepreneurship Initiative

- New Day SE speaker series
- New Day Social Innovation Challenge
- Ashoka U Changemaker Campus Partnership
- Sacks Chair in Civic Engagement and SE
- 5 SE Entrepreneurship Professorships