

**Dov Seidman**, Contributor

I write about how to inspire principled performance and leadership.



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Capitalism for Everyone or No One

Today, I will be joining a group of business and nonprofit leaders, media strategists, and policy makers at a [Conference on Inclusive Capitalism](#) admirably catalyzed and guided by Lady de Rothschild. The Inclusive Capitalism movement is one of a number of laudatory initiatives in response to the “serious dislocations caused by developments in the capitalism of the last 30 years” (for more, see www.inclusivecapitalism.org), including increases in income inequality, financial scandals, historically high unemployment, and short-term approaches to managing companies. The conference’s central question revolves around the growing recognition that the free enterprise system does not operate in a vacuum, and that it thus must be animated by a conscious regard for all its present and future stakeholders.

This conference does not take place in a vacuum either but is part of a larger discourse by people from across the income spectrum about the ills of capitalism. From Occupy Wall Street protesters camping in Zuccotti Park, to flash mobs protesting Brazilian malls, to “Carnival against Capitalism” protests against the G8, to the members of the World Economic Forum who this year identified inequality as the [biggest threat to the global community](#) in the next decade, there is widespread acknowledgement of the need to reform if not to rethink – and then fix – capitalism. Despite this acknowledgment, only the radical fringe is clamoring for socialism or a return to feudalism. Most of us remain deeply attached to the principles of free enterprise and the ideal of free markets. We continue to view capitalism as the best system for enabling global progress and prosperity. Capitalism gives us the freedom to pursue our dreams and be our best selves through competition. No other economic system does that. The word ‘competition’, itself, comes from the Latin ‘competere’ – to strive together. We stand in a moment in time where capitalism is recognized as, at once, both indispensable and deeply broken.

I believe this tension exists because we have come to understand that our world has rapidly moved from connected to interconnected to interdependent. Never before has one individual had the power to create such exponential good or harm in the world, to affect so many people in so many disparate areas of the world. One vegetable vendor can spark a wave of protests for freedom throughout the entire Middle East. One mid-level banker can lose two-billion-dollars at his desk and introduce volatility into the global markets. More than ever before, it is not an exaggeration to say that we will either rise or fall together. The idea of succeeding in business while society fails is not only misguided, it is now bankrupt because it is no longer possible in an

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My professional career has focused on how companies and their people can operate in both a principled and profitable way. I am the author of HOW: Why HOW We Do Anything Means Everything published by Wiley & Sons in an Expanded Edition in September 2011 with a Foreword by President Bill Clinton and a new preface. I am the founder and CEO of LRN. Since 1994, LRN has helped hundreds of companies simultaneously navigate complex legal and regulatory environments and foster ethical cultures. I am a Harvard Law School graduate who also earned a bachelor’s and master’s degree in moral philosophy from UCLA and a BA with honors in philosophy, politics, and economics from Oxford University. For more information, visit www.lrn.com and www.howsmatter.com.

The author is a Forbes contributor. The opinions expressed are those of the writer.

M O R E F R O M D O V



interdependent world where business and society are fused.

Because many have viewed “business” as a separate sphere from the rest of life for so long – and turned *The Godfather’s* “it’s not personal, it’s just business” into a mantra – we have scaled institutions, governance, marketplaces, and, above all, habits of thought and behavior based on this perspective. It is critical to understand, however, that, by and large, we have scaled not immorality but amorality (think “the business of business is just business”), which can be far subtler and thus potentially more pernicious.

An amoral strategy is unsustainable in an interdependent world, because interdependency is a moral reality. In a world in which I affect you and you affect me, we have no choice but to connect, if not reconnect, with the norms, principles and moral values that guide constructive and sustainable behaviors. If we are in an interdependent world, then there is only one available strategy: we must embrace and forge healthy interdependencies so that we rise instead of fall together. Healthy interdependencies, at their core, are not that complicated. They’re about *how* we treat each other. They are about behavior that is based in values that animate and sustain human relationships.

Moral values are, in fact, at the heart of what capitalism is essentially all about. The founder of capitalism, as we all know, is Adam Smith. Yet, contrary to what so many came to believe, he was not an economist. He was a moral philosopher. Adam Smith never used the word “capitalism,” but instead talked about a system of natural liberties. Liberty is a fundamental moral value, without which the other values we cherish cannot be actualized. If we are not truly free to meaningfully act, then we cannot act towards the realization of justice, inclusiveness or equality or any other moral aspiration. He understood that companies and economies would succeed by scaling and systematizing liberty – the right kind of liberty. That means not just ‘Freedom From’ tyranny and command-and-control hierarchy, but the ‘Freedom To’ innovate, to fail without fear of disproportionate consequences, to dissent in front of the boss, to collaborate with talented colleagues, to be yourself regardless of your religious or cultural orientation.

Income inequality is a gravely serious issue, and it is one that is exacerbated by the current inequality in freedom. We are now witnessing the unprecedented manufacturing of ‘Freedom From’ in so many dimensions of society. We see people increasingly able to cast off formal authority, shine transparency into the inner workings of power, eliminate superfluous rules, and otherwise challenge the logic of power, preconceived notions and stereotypes, as well as one-way processes. DVRs and streaming video, e-commerce and open platforms have given us previously inconceivable ‘Freedom From’ the constraints of the 20th century. Technology and social media is equalizing power in many important respects, granting the masses ‘freedom from’ controlled circulation of information by giving them platforms to voice their grievances about unequal treatment. But ‘Freedom From’ is negative space; it creates a vacuum in which anything – good, bad, or terrifying – can and will happen. ‘Freedom From’ – in the absence of ‘Freedom To’ – makes massive inequities not just possible, but easy to slip into.

Which is precisely why ‘Freedom To’ is needed. ‘Freedom To,’ a mindful focus on shared values and common principles that bring about behavioral alignment and commitment, is the most effective way to fill in and take advantage of the space created by ‘Freedom From.’ ‘Freedom To’ is exactly

what the protestors are demanding. They want the promises of capitalism: the ‘Freedom To’ pursue their dreams, to live a truly good and happy life, to have the liberty to contribute their full character and creativity to their jobs and find meaning in sustainable careers.

‘Freedom To’ cannot be enabled solely by legal rules and regulation, which coerce behavior by placing it within guardrails. It is enabled, instead, by values, principles and a sense of mission, which inspire behavior without limit. Imagine factories that are animated by an ethic of fairness and human dignity, instead of a narrow mindset that seeks loopholes in labor laws. Imagine businesses that are so full of trust that employees feel free to bring their creativity and propose new ideas, instead of being stymied by power politics. The language of legal permission is about what you *can* and *cannot* do, but in an interdependent world, we need to focus more on what we *should* and *should not* do. When everyone is bound together through a common set of values and principles, the resulting commitment and inspiration will move well past the point of compliance with minimal standards and short-term transactions towards missions worthy of our dedication and collaboration. And as an important added bonus for business leaders, getting the balance of ‘Freedom From’ and ‘Freedom To’ right results in business performance, which is orders of magnitude better, as you can read in [our new Freedom Report](#).

In conclusion, in the quest to make capitalism more inclusive, what will not work is a superficial inclusiveness where all stakeholders are bound together by force of regulation or commercial transaction or even public outcry. In an interdependent world, we must be bound together by something far deeper and more human: shared values, which are precisely what animates ‘Freedom To’ amongst teams, companies and institutions. Shared values make possible our greatest endeavors on behalf of all stakeholders, and, when scaled in our companies and markets, everyone has the ‘Freedom To’ be *included* — just as Adam Smith intended.

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