

MIND OVER MATTER



# Mind Over Matter

*Towards a New Paradigm  
for Leadership in  
Business and Economics*

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# Introduction

Humankind is continuously striving for well-being. A series of recent developments, from growing social inequality, continued destruction of eco-systems, demonstrations against globalization, massive corporate financial scandals such as Enron, WorldCom and Parmalat, and the collapse of some national economies, have led to a global search for alternative approaches to economics and business. Clearly traditional economics and business as usual do no longer work for everyone.

The challenges range from the macro to the micro level. Economic pundits no longer provide coherent advice on the behavior of evidently irrational markets. In fact, a growing number of mainstream economists are now criticizing their own orthodoxies, such as Joseph Stiglitz, Jeffrey Sachs, Amartya Sen, George Soros, Paul Volcker and Paul Krugman. There is a groundswell in business, too, as consumers, governments, staff and shareholders increasingly expect corporations to take full responsibility for the welfare of all corporate stakeholders, including society at large and the environment. With continued globalization, increasing complexity, accelerating speed in information exchange and market volatility, we are now faced with a reality almost unrecognizable from the view of what traditional business education has taught us.

It is increasingly evident that these challenges can no longer be readily solved within the conventional economic paradigm. One can say that the entire fundamentals of the mainstream western development model, based in capitalism, free-market enterprise and infinite material growth, are called into question. The industrial paradigm with its emphasis on production, specialization, its com-

mand/control type leadership and deterministic thinking is becoming obsolete. We have to revisit the assumptions that underlie our economic management models. For better or for worse, economies and business don't function separately from our decisions, so if we want a better economy we have to look deeply at who we are and how we live.

Conventional economics has left human psychology outside its spectrum, tacitly assuming that material development, as measured by GDP growth and financial profits, is positively correlated to human well-being. Further analysis of the relationship between material development and the human experience has been outside the scope of economic and social theory. Yet this is changing: breakthrough research – in quantum physics, medicine, biology, behavioral science, psychology and cognitive science – is now making the science of the mind relevant to economics. Conversely, from within the profession of economics, attempts are being made to broaden the scope of economics into the domain of psychology.

This paper argues that principles of the new scientific paradigm, particularly fundamental interconnectedness and the role of consciousness could provide potential answers to today's complex problems. While conventional science has focused on the material, tangible world, the new sciences indicate that we need to understand the tangible *and* intangible dimensions of life, and their mutual dependency. Matter and mind – and therefore economics and consciousness – are ultimately inseparable, as two sides of the same coin.

A growing body of research in economics, business and leadership practice – seemingly unconnected – points into a similar direction. While we come to understand the subtler yet more essential conditions for economic performance and value creation, a new vision for a healthier and sustainable way of organizing human activity is gradually emerging. We are moving towards a new economic para-



digm, one that is not based on maximizing profits or boosting abstract statistics such as GDP, but concerned with our whole being and the quality of our lives. This inspires real hope for our future.

But the new paradigm economic model is far from clear. How to quantify and measure non-material values such as well being, the environment and the future? How to design an economic model that brings benefit and well-being for everyone? Economic systems are 'living' systems, that is, they are both determined by and determining behavior of people, through multiple and interrelated feedback loops. Therefore, we have to look at these questions from multiple vantage points, not merely from the perspective of one discipline.

First, in part one, we will go back to the origins of our dominant economic ideology, and unravel deeply held (yet not necessarily valid) beliefs about reality and human nature. We will look at how these views have become obsolete and no longer serve us. The second part of this essay is focused on creating solutions, showing promising new approaches and offering thoughts on how we could help in the creation of the next generation of economic systems.



# Part One

## THE ROOTS OF ECONOMICS

Economics has its roots in ancient Greece (the term is derived from ‘*oikonomikos*’, literally meaning ‘household management’), and now is commonly defined as ‘a science that studies human behavior as a relationship between ends and scarce means with alternative uses’<sup>1</sup>. In this discussion, it is important to note that economics defines ends and means primarily in *material* terms, which moreover can be quantified in monetary terms. Immaterial and non-monetary values are considered subjective and therefore outside its scope. Further, by stating that economic means are naturally limited and scarce, economic theory accepts a natural element of competition for these resources.

In addition to assuming that we naturally compete for scarce and limited material resources, economic textbooks assume that well-being is achieved by consumption of these resources. Happy is the one who consumes, unhappy is the one who does not. Classical economics tell us that it makes no sense to exert time, effort or expense on non-consuming activities, such as maintaining values, if money can be made by ignoring them. Intangible values don’t count.

The assumptions underlying the so-called ‘economic laws’ were developed at a time when religion was being separated from science, the accepted worldview became secularized, and the sacred was substituted by belief in matter. Economic theory was affected by great scientific discoveries in physics, biology and psychology, and economic laws were presented with the same authority as

laws of nature. Newton and Descartes described reality in terms of a more or less fixed number of ‘building blocks’, of ‘things’, subject to measurable laws such as gravity and, put together smartly, operating like a big machine. The world of matter was regarded as a mere machine, to be used by man, his reason and free will. This worldview is now no longer recognized as scientific but as a belief system, called ‘scientific materialism’.

Darwin had described human beings as a relatively intelligent species evolved from primitive apes motivated by lusts and aggression (as Freud would confirm later in psychology). Our intelligence has taught us to behave socially, but fundamentally we are selfish beings subject to the law of ‘survival of the fittest’.

When Adam Smith, in his famous work ‘The Wealth of Nations’, introduced the ‘invisible hand’ of the market, by which the things and building blocks can be exchanged efficiently on the basis of each individual’s self interest, we extended these laws into the realm of economics. 19th century economists such as Malthus and Ricardo, added the notion that economies are closed systems, bound by fixed quantities of material goods. No matter how large economies become, they remain closed, thus limited. This has led to an important premise underlying classical economics: scarcity is a natural state. Hence it is believed that competition for scarce resources, or even war, is natural too. We forgot that Adam Smith wrote in his earlier work, ‘The Theory of Moral Sentiments’, that markets could not function without ethics and morals. We have come to believe that greed and selfishness is what economies are all about.

Economist E.F. Schumacher observed in his landmark book ‘Small is Beautiful’ that the idea of competition, natural selection and the survival of the fittest, which purports to explain the natural and automatic process of evolution and development, still dominates the minds of educated people today. Schumacher argues that

“These ideas, combined with the belief in positivism, have wrongly been given universal validity. They simply do not stand up to factual verification. But since they conveniently relieved us from responsibility – we could blame our immoral behavior on ‘instincts’ – these ideas have retained a prominent place in the consciousness of modern man”.<sup>2</sup>

In fact, over the last two centuries these principles of competition and expansion have been firmly enshrined in our capitalist legal systems, first domestically and more recently also internationally. For example, the international laws governing the main multilateral agency for international trade, the World Trade Organization, are based on Ricardo’s concept of ‘comparative advantage’, the idea that nations, by specializing yet keeping their borders open, will all benefit from unfettered competition. This belief arose from 17th century Europe, which had invented the nation state to better deal with the opportunities provided by colonialist expansion. The idea that there could be limits to competition and growth did not occur to the policymakers of that time.

Likewise, with the emergence of the nation state, monetary systems and policies were developed based on the notion of scarce money supply, linked to gold and silver, the value of which was controlled by the nation. The artificial measurement of money scarcity, when the churches relaxed their restrictions on interest bearing lending (considered ‘usury’ for many centuries)<sup>3</sup>, introduced an official element of competition among those in need of funding<sup>4</sup>. In contrast, those with money could set rules on how the scarce resources should be invested. These rules favor those with wealth over those who have not, the vast majority. Nonetheless, because they created stability, the rules have been canonized as the central feature of our corporate and banking laws, forming the basis of what we know as ‘capitalism’. The majority of our populations has been locked in a competitive cycle for scarce capital ever since.

## WHAT DO WE MEASURE?

At the same time, inspired by the mathematical approach of the natural sciences, we have developed indicators to measure the well-being of our society in terms of growth. We measure things that can be quantified by assigning monetary weightings, which means they measure primarily money-based or economic phenomena. Thus, they exclude qualitative distinctions. Yet over the last decades it has appeared that it is exactly the qualitative factors that are crucial to our understanding the ecological, social and psychological dimensions of economic activity. For example, economic calculations ignore the value of things such as fresh water, green forests, clean air, traditional ways of life, to name but a few – simply because they cannot be easily quantified.

This partial blindness of our current economic system is increasingly recognized as the most important force behind the accelerating destruction of the global environment. For what cannot be measured, cannot be managed either.

The most basic measure of a nation's economic performance is called Gross National Product (GNP) calculated on the basis of all quantifiable economic transactions recorded in a given period. Governments want to see this grow each year. Yet GNP statistics are inherently flawed. In calculating GNP, natural resources are not depreciated as they are being exploited. Buildings and factories are depreciated, as well as machinery, equipment, trucks and cars. Why are forests not depreciated after irresponsible logging and farming methods turn them into barren slopes causing erosion and landslides? The money received from the sale of logs is counted as part of the country's income for the year. Further, the national statistics would show that the country has gone richer for cleaning up landslides. The funds spent on the chain-saws and logging trucks will be entered on the expense side of the project's accounts, but those to be spent on the supposed replanting will not. Nowhere in the cal-

culations of this countries GNP will be an entry reflecting the distressing reality that millions of trees are gone forever.

Aside from the environment, traditional GNP calculations ignore the informal, unpaid economy of caring, sharing, nurturing of the young, volunteering and mutual aid. This informal 'Compassionate Economy' is hidden from economist's statistics and therefore public view, yet it represents some fifty percent of all productive work and exchange in all societies.<sup>5</sup> In developing countries, these traditional non-money sectors often predominate. Indeed, the United Nations 'Human Development Report' in 1995 estimated such voluntary work and cooperative exchange at \$16 trillion, which is simply missing from the world's GNP statistics.

Classical economics holds that all participants in the market between supply and demand have 'perfect information' about the facts on which they base their choices. This is another assumption that has proven to be incorrect, especially in light of the buyer's inability to ascertain to what extent a product has depleted natural resources or exploited labor. Our current economic system not only makes unrealistic assumptions about the information available to real people in the real world; it also assumes incorrectly that natural resources are limitless 'free goods', failing to distinguish between renewable and non renewable goods and simply equating them on the basis of monetary values set by a supposedly 'informed' market.

Our system also fails to account for all the associated costs of what is called consumption. Every time we consume something, some sort of waste is created, but these costs are usually overlooked and externalized. For instance, for all the fuel we consume in a given day, we do not account for extra CO<sup>2</sup> emission in the atmosphere. Since we equate an increase in consumption with an increase in 'standard of living', we encourage ourselves to produce more and also waste more. This has led to the disturbing reality that those countries that are considered richest produce the most waste.

## DISCOUNTING THE FUTURE

Our national accounting standards also contain questionable assumptions about what is valuable in the future as opposed to the present. In particular, the standard discount rate that assesses cash flows resulting from the use or development of natural resources assumes that all resources belong totally to the present generation. As a result, any value that they may have to future generations is heavily discounted when compared to the value of using them up now. Likewise, by discounting the future value of money on the basis of interest rates, we have accepted that a dollar spent today is more valuable than a dollar spent tomorrow. This has caused a dangerous short-term mentality among fund managers who control increasing amounts of investment funds, which can be moved from one country to another at the speed of online digital communication. It also provided a whirlpool-like force behind the expansion of our financial markets, which have come to grow to such an extent that national authorities could no longer control them.

The financial markets, in particular, with the daily turnover of more than us \$ 1.5 trillion on foreign currency markets worldwide, are now setting the pace for continued growth and expansion. Money should be moved in order to make more money. Short-term rewards are more important than long-term, sustainable investments. Increases in stock prices are equated with economic success, and conversely, a drop is regarded as an economic failure with immediate divestment as a result. This has had already disastrous results, as is shown by the repeated crashes of emerging markets, the Internet bubble and corporate scandals such as Enron. Many have blamed this entirely on weak and ineffective governance, while only few recognize that the global financial system itself is at fault. It should, of course, be quite obvious that preoccupation with growth at all costs leads to disaster, but the supertanker of short-term capitalism seems unstoppable.



By concentrating on the mere statistics of monetary indicators, we fail to distinguish between the qualitative aspects of growth: healthy or unhealthy growth, temporary or sustainable growth. We do not question what growth is actually needed, what is required to actually improve the quality of our life.

National political agendas continue to be determined by interest groups dominated by commerce and industry who are locked on to old paradigms, while in the meantime the power of national authorities and national democratic institutions have been gradually eroded by the globalization of industry, finance, technology and information.

The bodies that rule our global economy today, the G7 (the world's industrialized countries), IMF and the World Bank (together known as the 'Washington consensus') continue to prescribe the world a neoclassical recipe of privatization, decentralization and market reform, assuming that our common interests are best served by the invisible hand of the market.

Critics of this faith are generally silenced by powerful arguments. They are told that government interference in markets will only lead to inefficient, wasteful government bureaucracies. They claim that history has shown that the libertarian or laissez faire approach will allow markets to increase wealth, promote innovation and optimize production – and to regulate itself flawlessly at the same time. The fact that humans persist in behaving 'irrationally and uneconomically' according to the market model, far from invalidates the model, they say; we simply have not yet learned to appreciate the benefits of competition. Some economists, trying to account for 'irrational' religious commitments, such as voluntary gifts or abstention from consumption, even introduced a new economic factor – 'afterlife consumption'.<sup>6</sup>

Yet it is increasingly clear that our economies are inherently flawed. While substantial wealth is generated mostly by a minority elite in developed countries, the majority of the world population remains poor. The gap between rich and poor keeps growing in all societies, and also among countries in the world. Environmental degradation seems irreversible. Drugs and new forms of slave trade prosper. Corruption and corporate fraud is widespread. Stock markets are turning into global casinos. War is increasingly 'economic', motivated by either the lack or the protection of wealth. Even if the global economy prospers, it seems to prosper at the expense of the air, earth, water, our health and our rights to employment.

A growing number of corporate leaders are blowing their whistles. John Brown, chairman of BP said in 2000:

“Is genuine progress still possible? Is development sustainable? Or is one strand of progress – industrialization – now doing such a damage to the environment that the next generation won't have a world worth living in?”<sup>7</sup>

More recently, financiers joined in sounding the alarm, questioning not only the sustainability of the environment, but of the entire economic system. Paul Volcker, the previous Chairman of the us Federal Reserve, states:

“Below the favorable surface of the economy, there are as dangerous and intractable circumstances as I can remember.... Nothing in our experience is comparable...But no one is willing to understand this and do anything about it... We are consuming... about six per cent more than we are producing. What holds the world together is a massive flow of capital from abroad...A big adjustment will inevitably become necessary, long before the social security surpluses disappear and the deficit explodes... We are skating on increasingly thin ice.”<sup>8</sup>

As long as industrial institutions are designed to make profits as their prime purpose, and financial markets reward and punish them solely on this basis, they will continue to extract value from the planet at unsustainable rates. Creating sustainability now means more than a gradual adjustment of policies. It means reinventing new economic, financial and business models, not only leapfrogging to environmentally sound technologies and infrastructures, but also shifting established norms and changing the ‘rules of the game’ that are currently biased against the future. This requires us to look at our collective beliefs.

We have to revisit the assumptions that underlie our current models. Are the economic laws really uncontrollable? Modern physics, cognitive sciences and most of the world’s spiritual teachings tell us that we make up reality, so likewise it must be us who make up the economy. So let’s have a closer look at who we are and how we live.

#### SPIRITUAL VIEWS REDISCOVERED

21<sup>st</sup> century physics is describing reality in terms rather different from traditional economic theory. While the latter are primarily concerned with a fragment of human behavior, namely ‘economic’ actions defined as those which can be quantified in terms of money, the former approach reality holistically, incorporating all actions – and even thoughts – that make up our world. While Newton, Descartes and classical economics define the world in things, of separate building blocks, the new sciences point out there is really no independent *thing* there, and that the focus on things will miss the relations and the whole context that make the thing possible. In economic textbooks human beings are isolated consumers and producers interacting at markets driven by monetary gains. Modern sciences now tend to agree with age-old spiritual traditions, by viewing humans as being part of a larger whole with which they can communicate by opening their hearts and minds.

This holistic viewpoint is based on insights from modern quantum and astro-physics<sup>9</sup>, which postulate that the universe consists of unified patterns of energy. According to one of Einstein's favorite epigrams, the field generates the object, not vice versa. That is, whole systems give rise to specific things, not the other way around. While in the Cartesian worldview we can only know reality by knowing specific parts, Einstein discovered that in order to know things, we need to know the whole from which they originate. In other words, we are not isolated hard and fast physical things but more like 'light beings' or 'energy-flows' continuously interrelating and changing. Thus, we are more like 'intangibles' – exactly that which cannot be measured in classic economic models.

The new understanding of reality is a systemic understanding, which means that it is based not only on the analysis of material structures, but also on the analysis of patterns of relationships among these structures and of the specific processes underlying their formation. This is evident not only in modern physics, but also in biology, psychology and social sciences. The understanding of modern biology is that the process of life essentially is the spontaneous and self-organizing emergence of new order, which is the basis of life's inherent abundance and creativity. Moreover, the life processes are associated with the cognitive dimension of life, and the emergence of a new order includes the emergence of language and consciousness.

Most economic strategies are built around the possession of material things such as land, labor and capital. What counts is how much real estate we own, how much money we have and how many hours we work. The ideal for many people is to own enough land and capital, so we don't have to sell our time. This strategy, which no doubt will be recognized by many of us in developed countries, is based on the assumption that land, labor and capital are all there is, that the real world is a closed end system. Physics and biology now state the opposite, pointing to the openness and interrelated-

ness of all things, particularly of that which lives. Nuclear energy is based on breaking the seemingly closed-end system of the atom, and the universe has been found to expand continuously. Spiritual traditions recognize the unlimited potential in every sentient being – the potential to be whole and enlightened. Our minds create and pervade everything; hence physical reality is open for the spiritual.

We find parallels in modern business realities. Like the expanding limits of outer space, the modern business of cyber space and information technology has created unexpected opportunities and amounts of new wealth. Another example, while being rightfully concerned about the limited availability of the planet's fossil fuel deposits, there is no shortage of energy in our solar system. In fact, we are surrounded by abundant energy sources: sun and wind, as well as the earth's heat, motion and magnetism. But most renewable energy resources are not available to us, not because they don't exist, but because we don't have the know how to efficiently tap them.

The key in the modern economy is that what counts here is not merely material possession, but know how and creativity, the domain of the mind.<sup>10</sup> Hence the term 'knowledge economy'. As many of the new e-commerce companies have found out, a company cannot 'own' the knowledge that resides in the heads of the employees. Research has shown that most successful business strategies focus less on things but more on how to manage them. It is commonly accepted that all technical and social innovation is based on what is now phrased as 'intellectual capital'. And unlike ordinary capital, intellectual capital is not subject to physical limits.

So what does all this tell us? Clearly, the 19<sup>th</sup> century mechanistic 'matter only' worldview has been turned on its head. And thus we should revise long-held axioms. First, the traditional concept that we are simply competitive beings chasing scarce material resources is incorrect. Second, intangible values are equally important for our well-being. These intangibles are stored in the mind, free from

physical constraints and therefore potentially of unlimited supply. Third, happiness is not merely determined by what we have, how much we consume, but also by what we know, how we can manage and how we can be creative, ultimately by who we are – so not by having, but by being. We are human *beings* after all.

How to measure this reality? How do we account for ‘self-generation’, ‘spontaneity’ and ‘consciousness’ in our economic worldview? Deterministic logic is no longer sufficient. New ways of measuring are required to embrace this new reality.

#### HUMAN NATURE AND MOTIVATION

Before we can move there, let us first examine this ‘being’ side of our existence more deeply. What kind of beings are we? Happy or unhappy? Altruistic or selfish? Compassionate or competitive? Modest or greedy? Driven to seek short-term pleasure, or seeking meaning, a higher purpose, a longer-term state of happiness? These are important questions on which economic theory and consciousness studies hold different views.

Economists have accepted the principles of selfish individualism: the more the individual consumes, the better off he will be. And he consumes out of perpetual needs, which – if unmet – make him innately unhappy. Economic growth is achieved when individuals consume more and more so that demand and output are boosted. This leaves no room for altruism, where an individual may incur costs for no conceivable benefit to himself. This approach reduces the meaning of cooperation to a mere reciprocal arrangement among individuals: individual sacrifices on behalf of the community can only be seen as an insurance policy, for it will ensure the individual that the community will help him in the future.

We can understand the need for values such as compassion because of mutual dependence in this increasingly smaller and interconnected world. But spiritual traditions point to another, more profound and personal dimension of compassion. They advise us to make altruism the core of our practice, not only because it is the cheapest and most effective insurance policy for our future, but also specifically because the *real* benefit of compassion is that it will bring about a transformation in the mind of the practitioner. It will make us happy.

How can this be done if our real nature is selfish? Compassion can only work if our nature is receptive to having an altruistic attitude, if somehow compassion is in harmony with our essence, so that we can actually *enjoy* being compassionate. If we were inherently selfish, any attempt to develop a compassionate attitude would be self-defeating.

Most religions state that mankind's nature is good. As we might say, our kind is kind. Buddhism explains that there is no real independently existing self that is either good or bad. Our selfish motives are based on an illusionary belief in an independent self, separating us from others. We do have selfish traits, they may even dominate us, but they can be removed by practice. And since we are so connected to the world, since there is no disconnected self, the practice of compassion is most effective.

Several modern scientific disciplines, such as psychology, neurophysiology and medical science, have started to study the effects of empathy on the human mind, body, health and relationships. Not surprisingly, they have ascertained that compassion is of tremendous help to our well-being. A compassionate frame of mind has a positive effect on our mental and physical health, as well as on our social life, while the lack of empathy has been found to cause or aggravate serious social, psychological and even physical disorders<sup>11</sup>. In a recent experiment with experienced contemplatives, the neu-

roscientist Richard Davidson of the University of Wisconsin found that meditation on compassion affects brain structures (a phenomena called ‘neuro-plasticity’) indicating a positive correlation between compassion, well-being and health.<sup>12</sup>

Other recent research on stress shows that people who only seek short-term pleasure, are more prone to stress and burn out than those who seek a higher purpose, who seek meaning rather than pleasure.<sup>13</sup> Meaning generally is derived from a higher purpose or values such as serving others, going beyond short-term selfish needs. The fact that disregarding short-term selfish needs is actually a source of longer-term happiness turns the classical economic notion of selfish individualism upside down.<sup>14</sup>

As economist Stanislav Menchikov observes:

“The standard, neoclassical model is actually in conflict with human nature. It does not reflect prevailing patterns of human behavior. [...] If you look around carefully, you will see that most people are not really maximizers, but instead what you might call ‘satisfiers’: they want to satisfy their needs, and that means being in equilibrium with oneself, with other people, with society and with nature. This is reflected in families, where people spent most of their time, and where relations are mostly based on altruism and compassion. So most of our lifetime we are actually altruists and compassionate”.<sup>15</sup>

What does all this mean for our economy? Here we are entering uncharted territory, as is always the case in a paradigm shift. But some things are clear. The debate is not simply on government versus markets. As noted earlier, I believe it is about deeper, consciousness-related issues. Economic thinking is primarily focused on creating systems of arranging matter for optimal intake of consumption. It assumes that the main human impulses are competition and consumption, and it has sidestepped spiritual and moral issues because it would involve a qualitative judgment on values and oth-



er intangibles that go beyond its initial premises. But by assuming that the more we consume, the happier we are, economists have overlooked the intricate working of the human mind.

At the root of this belief in the market lies a very fundamental misconception. That is, we have not really understood what makes us happy. Blind faith in economics has led us to believe that the market will bring us all the things that we want. We cling to the notion that contentment is obtained by the senses, by sensual experiences derived from consuming material goods. This feeds an emotion of sensual desire. At the same time, we are led to believe that others are our competitors who are longing after the same limited resources as we are. Hence we experience fear, the fear of losing out and the fear that our desire will not be satisfied.

So we can observe that the whole machine of expanding capitalism is fuelled by two very strong emotions: desire and fear. They are so strong that they appear to be permanent features of our condition. Yet Buddha taught that since these emotions are based on ignorance, a misconception of reality, they can be removed by the understanding of reality, which is the prime object of spiritual practice. According to all religions, happiness is an inner, or Divine, experience, available to anyone, regardless of wealth or poverty. Further, fundamentally there is nothing that we lack. By developing the mind, our inner qualities, we can experience perfect wholeness and contentment. Finally, if we share with others, we will find that we are not surrounded by competitors. Others depend on us as we depend on them.

I argue that we need to recreate economic theory based on a correct and complete understanding of what is a human being and what makes him or her happy. As long as economics is based on a partial or wrong image of mankind and its reality, it will not produce the results we need.



## Part Two

### TOWARDS A NEW PARADIGM: HUMANIZED ECONOMICS

In a sense, the redesign of economic theory has already started. In order to explain the persistent tension between economic theory and practice, and recognizing that conventional economics does not help us along much further in our pursuit of happiness, old assumptions are being reviewed in various branches of economics. As a result, intangibles such as values and other more ‘noble’ human impulses are gradually moving into the scope of leading thinkers, including economists, historians, social scientist, businessmen and bankers.

Nobel Prize winning economist Douglass North says:

“The theory employed, based on the assumption of scarcity and hence competition, is not up to the task. To put it simply, what has been missing [in economic theory] is an understanding of the nature of human coordination and cooperation.”<sup>16</sup>

The 1998 Nobel Prize in Economic Science was awarded to Amartya Sen, who defines economic development in terms of freedom of basic necessities such as education and healthcare. He observed that as long as the contemporary world denies elementary freedoms to the majority of the world population, planning for economic development is of no use. In doing so, he has restored an ethical dimension to the discussion of development. Sen writes in ‘Development as Freedom’:

“Along with the working of markets, a variety of social institutions contribute to the process of development precisely through their effects on enhancing and sustaining individual freedoms. The formation of values and social ethics are also part of the process of development that needs attention.”<sup>17</sup>

In Spring 2000 a group of graduates of the elite *École Normale Supérieure* (ENS) in France heard the Sorbonne economist Bernard Geurrien speak on the disconnection between mainstream neoclassical economics instruction and reality. Economics has an ideological function, he said, to put forth the idea that the markets will resolve everything. In fact, he commented, economic theory absolutely doesn't show that. A group of economics students decided to do something about it. They considered economics 'autistic'. Like sufferers of autism, the field of economics was intelligent but obsessive, narrowly focused, and cut off from the outside world. They demanded reform within economics teaching, which they said had become enthralled with complex mathematical models that only operate in conditions that don't exist. They decried an excessive reliance on mathematics 'as an end in itself', and called for a plurality of approaches. With that, 'autisme-économie,' the post-autistic economics (PAE) movement, was born, now an international movement with considerable impact on academic institutions around the world.<sup>18</sup>

The 2003 Nobel Prize in Economics was awarded to Daniel Kahneman and the late Amos Tverski, both leading scientists in behavioral finance.<sup>19</sup> Their studies on intuitive judgment and decision-making in 1979 invalidated the assumption of economists that humans make rational decisions. This work is inspiring the nascent field of *neuroeconomics*; by grounding economic decision-making in the biological substrate of the brain, it is bridging the heretofore distinct disciplines of psychology and economics. The influence of emotional factors on decision-making behavior also challenges the 'efficient market hypothesis', one of the dominant economic para-

digms based on the mechanistic worldview, mentioned in part one of this essay.

The subjective dimension of economics was already clear to economic historian David Landes, who concludes in his best-selling review of two millennia of economic history ‘The Wealth and Poverty of Nations’: “If we learn anything from the history of economic development, it is that culture makes all the difference.”<sup>20</sup> Just because markets give signals does not mean that people respond timely or well. Some people do this better than others, depending on their culture, and culture is nothing but the aggregation of values.

George Soros, the Hungarian born financier discovered these flaws in market exchanges firsthand. After making fortunes from speculating on what he saw as market inconsistencies, he now passionately campaigns for a more social face of capitalism. In his ‘Open Society; Reforming Global Capitalism’ he states:

“Economic theory presupposes that each participant is a profit center bent on maximizing profits to the exclusion of all other considerations. But there must remain other values at work to sustain society – indeed human life. I contend that at the present moment market values have assumed an importance that is way beyond anything that is appropriate and sustainable. Markets are not designed to take care of the common interest.”<sup>21</sup>

A whole range of economists is busily developing models that account for the more intangible factors affecting our economies. Investment analysts want to track the drivers of the information-based economy, such as know how and other human capital, while institutions such as The World Bank and UNDP are concerned with the environmental and social costs of development, such as the pollution and destruction of air, water, forests (so called ‘free goods’), as well as health and education.<sup>22</sup> Hazel Henderson, who has opened

our eyes to the informal, unpaid 'Compassionate Economy' which remains hidden from GNP statistics, pioneered by developing the Calvert-Henderson Quality of Life Indicators.<sup>23</sup> This index incorporates cultural values (for example as a means to measure safety) and activities of recreation, including practices of self-improvement and participating in social or religious groups.

Swiss economists Bruno Frey and Alois Stutzer, integrate insights from the emerging field of happiness psychology and economics, by measuring the degree to which unemployment and inflation nurture unhappiness.<sup>24</sup> A similar approach is behind the US Misery Index, showing how unemployment and inflation strongly impact well-being.<sup>25</sup> The government of Bhutan has launched the concept of Gross National Happiness (GNH), aimed at measuring development in more human terms and rejecting the narrow focus on production and consumption items of the GNP model. In a conference in 2004, several Western economists joined the Bhutanese in an effort to make the concept GNH into a genuine tool for policy making and economic planning.<sup>26</sup> GNH could represent the next level of innovation of development indicators as more and more authorities start adopting alternative models. The UK Government has recently committed to creating a new indicator set focused on well-being,<sup>27</sup> which is another significant development.

#### REDESIGNING CORPORATE MODELS

In the last few years, particularly after the emergence of the corporate scandals of Enron, WorldCom and Parmalat, values are making a revival in the business world, a movement called corporate social responsibility (CSR). A growing number of companies publish information on the basis of *triple bottom line* reporting, i.e. reporting not just on financial performance but also on compliance with environmental and social standards.

Research indicates that firms who practice social responsibility, tend to outperform others at the stock market when measured over the medium and longer term.<sup>28</sup> The insight that focusing on values does not necessarily hurt investment returns, has started to impact on the financial markets. The amounts of money managed according to socially, ethically and environmentally responsible criteria are growing, both in absolute, as well as relative terms.<sup>29</sup>

The increased awareness that we face higher risks due to *not* focusing on values, CSR and sustainability, also contributes to this trend. Concern caused by the global climate change, for example, has led to initiatives in Europe to start trading carbon dioxide emission rights. In addition, increasingly weather derivatives are created and traded to spread the risk of extreme weather conditions. Although still early days, these serve as examples of how the workings of the financial market can contribute to accepting environmental and social responsibility. Specifically, the main feedback mechanism in a market is its discounting principle: sooner or later, future expenses will (have to) be discounted in current prices.

The huge financial losses by investors in major corporate frauds, has forced investment managers to pay more attention to issues of corporate governance and business ethics, hoping to screen out the next corporate 'bad apple'. It is significant that now fund managers increasingly recognize CSR as a relevant financial issue, for the absence of CSR practices constitute a financial liability for investors. The next step is that some now start to look at irresponsible and unethical external corporate behavior as an indication of what happens within firms.

Research has shown that a company's performance is at least 30% attributable to the corporate culture, the climate at the workplace, which is a share too large to ignore.<sup>30</sup> Management consultants of McKinsey analyzed over 200 of the world's most successful companies, concluding that there is a strong correlation between cul-

ture and performance. The recognition that corporate culture matters has also led to the emergence of inspired literature on more enlightened forms of management, focusing on creating a happy work environment instead of squeezing out more productivity from staff or maintaining control structures.

In his best-selling book ‘the Fifth Discipline’, organizational learning expert Peter Senge draws from modern sciences, spiritual values and psychology to put organizations and management models into a radically different light.<sup>31</sup> A successful corporation, or an economy for that matter, is one that can tap its people’s commitment and capacity to learn, grow and share at every level in the company, a continually growing, learning and living organism. There is a growing number of business cases that demonstrate this logic.<sup>32</sup>

Likewise, the social and psychological research on emotional intelligence, reported by the Harvard psychologist Daniel Goleman, has shown that success in business is dependent on how well we cooperate with others.<sup>33</sup> Showing respect, sympathy and understanding towards others is needed for advancing in our careers. Many corporations have started to test and train their staff according to emotional intelligence indicators, known as EQ.

Richard Barrett, a former values advisor of the World Bank, has developed and applied a model for the assessment of values within firms and found a positive correlation between companies’ financial performance and the alignment between people’s personal values and the values of their organization.<sup>34</sup> To put it differently, if employees and firms are ‘walking their talk’ they tend to outperform their peers.

In their seminal work, ‘Built to Last’, Jim Collins and Jerry Porras of Stanford University Graduate School of Business report on their research comparing a set of truly exceptional us companies



that have stood the test of time – the average founding date being 1897. Their most intriguing finding is:

“Contrary to business school doctrine, we did not find ‘maximizing shareholder wealth’ or ‘profit maximization’ as the dominant driving force or primary objective through the history of most of the visionary companies. They have tended to pursue a cluster of objectives, of which making money is only one – and not necessarily the primary one. Indeed, for many of the visionary companies, business has historically been more than an economic activity, more than just a way to make money. Through the history of most of the visionary companies we saw a core ideology that transcended purely economic considerations. And – this is the key point – they have had a core ideology to a greater degree than the comparison companies in the study”.<sup>35</sup>

In his next book, ‘Good to Great’, Jim Collins explores this point more deeply. In order to identify the drivers of outstanding firms, he analyzed 1435 Fortune 5000 companies that achieved cumulative stock returns 6.9 times the stock market in fifteen years. He found that the distinct feature of these firms was not merely its beyond-profit ideology. Most strikingly, these firms had leaders of high personal integrity who actually embodied this ideology, that is, leaders who put people before profits and others before themselves.<sup>36</sup>

Leadership experts Annie McKee and Richard Boyatzis call these resonant leaders; leaders that create resonance rather than dissonance. Reviewing the work of thousands of business leaders and the latest insights in neuroscience, they are creating a new vocabulary for the leaders and organizations of the future. Most significantly, they show that leadership can be learned through practice in emotional intelligence, mindfulness and empathy. Resonant leadership helps blend financial, human, intellectual and environmental capital into a potent recipe for effective performance in organizations.

“Of course, a leader needs to understand the market, the technology and a multitude of other factors affecting the organization. While this knowledge is necessary, it is not sufficient to produce sustainable, effective leadership. This is where resonance comes into play. Resonance enables the leader to use this expertise in pursuit of the company’s performance. It allows the leader to engage the power of all the people who work in and around the organization.”<sup>37</sup>

In summary, we are moving towards a new economic paradigm, one that is not based on maximizing gain, ownership and profits or boosting abstracts statistics such as GNP, P/E ratio’s or Return on Equity, or on the ‘greater-than-life’ type of command/control leadership. The new paradigm is concerned with managing and developing human potential, values, creativity and knowledge, and ultimately aimed at improving the quality of our lives.

#### FINDING NEW BEACONS

Moving from one paradigm to another is no easy task. In the process we are confronted with questions that baffle our minds – we are moving into uncharted territory. Albert Einstein said: “No problem can be solved from the same level of consciousness that created it”. However, it is not simply a jump into the unknown. The success of the current paradigm is that it is rooted in epistemology and quantification. The appeal of economics, in particular, has been its ability to express itself in monetary terms, which can be subjected to mathematical logic and discipline. This has allowed us to account for and manage many more phenomena than our pre-industrial forefathers could do. Thus, rather than falling back on guesswork and wishful thinking, which would be ‘throwing away the child with the bathwater’, we need to radically upgrade and fine-tune our measuring capability.

How can we approach the need for measurement of 'intangible' phenomena, such as values, happiness and well-being, which are within the domain of the mind? While GNP, net profit, et cetera, are based on quantifiable data, alternative indicators should incorporate many intangible values for which there is no clear-cut definition or measurement at present. Well-being and sustainability indicators are by definition based on life, which – as we now know from the modern sciences – is much more complex to measure. Since much of life, and particularly the subjective inner life, is non-quantifiable, in essence the dilemma is how to measure the non-quantifiable.

Similarly, new paradigm economics is not simply a matter of substituting lower values with higher ones. In particular, as long as we treasure the freedom and opportunities that the market economy provides, the new paradigm will have to include principles of competition and market forces. Competition is so much valued in our capitalist economies because it has proven to be the most effective incentive for bringing out the best of ourselves. That is why capitalism has 'defeated' communism. But competition without a moral dimension is like an elephant gone wild – it will destroy the very earth it depends on – so the new model should be based on ethics. At the same time, the failure of Marxism has shown us that values such as compassion or cooperation can never be more than guidelines for individuals or groups. Likewise, the new paradigm cannot be translated into an ideological system and forced upon us.

Having said that, emerging trends in science and society do point us to principles that could become pillars of the new paradigm economic model. Specifically, the following fundamental viewpoints have emerged, which can no longer be denied as central features of modern reality:

1. Complexity, interconnectedness and change are central principles of both the modern business reality and the modern scientific worldview.

2. Consciousness/mind/spirit is an integral part of the web of interconnectedness that makes up reality, and thus needs to be understood in order to understand and deal with reality effectively.
3. Consciousness can be enhanced and utilized (positive psychology).
4. Inspiration, creativity, values, meaning and ethics are natural by-products of enhanced consciousness, naturally 'flowing' or 'resonating' through organizations and enhancing organizational performance and the economy.
5. This flow or resonance determines the health of organisms, as it enables adaptive capacity or resilience. Modern biologists now rephrase Darwin's theory of the 'survival of the fittest' as the 'survival of the most adaptable'.

The challenge now is to apply these emerging concepts to economics and business. This is no easy task. Apart from metaphors from nature and ancient wisdom traditions, we still have trouble expressing these new views in a language that resonates with our current leaders and business models. We are operating in a realm beyond traditional conventions. There are some great writers giving words to these new domains of thought, foremost perhaps is Ken Wilber, whose 'integral vision' attempts to include or 'integrate' body, mind, soul, and spirit as they appear in culture, nature, politics and business.<sup>38</sup>

Another influential school is 'spiral dynamics', based on the work of Clare W. Graves and further articulated by Don Beck and Christopher Cowan, devoted to mapping the evolution of human thinking into a number of critical passages, gradually ascending the spiral ladder of the development of personal and collective consciousness.<sup>39</sup> Its contribution lies in recognizing an evolutionary and vertical relationship between levels of consciousness – explaining how a paradigm shift into new ways of thinking occurs.

Another pioneer in this field is Richard Barrett, whose work incorporates both elements of spiral dynamics and integral thinking of

Ken Wilber, seeking to ground them in practical business applications.<sup>40</sup> By viewing ‘values’ as expressions of seven different levels of consciousness, Barrett’s values survey model is used as instrument to measure the intangible (yet real, often more emotional) reality in organizations and cultures. By mapping the deeper and often hidden realities within firms, their leadership is able to actually develop and manage the firm’s full potential. Not surprisingly, Barrett’s work finds increasing application within organizations.

But much remains to be done, especially regarding business and economics. Most importantly, as we ourselves have feet in both these paradigms, we need to prepare ourselves to be co-creators in this endeavor. Fundamentally, we will need to operate from a higher level of consciousness ourselves. In the words of Meg Wheatley, author of the groundbreaking book ‘Leadership and the New Science’:

“The problem is not lack of data, but our own level of consciousness. Without realizing it, most of us are caught up in the same mechanistic mindset that invented the modern institutions and systems. That mindset has created our sense of separation from each other and from the living systems of which we are a part. We now need to step away from that which doesn’t work and begin to create that which works – to enter into *evolution*. We have to *evolve* our consciousness beyond the machine mind that created the modern world and our modern selves.”<sup>41</sup>

#### NEW WAYS OF KNOWING

As we can no longer rely on obsolete role models, we need to be pathfinders and explorers ourselves. In a sense, we need to take leadership over our own future. I don’t mean leadership in conventional terms, like one who leads others from A to B, but leading in the new paradigm sense, as someone who recognizes that – whether we like it or not – we are all part of the whole, and as such have a

constant and direct impact on the whole, while the future is essentially open, always awaiting to be co-created by us.

Joseph Jaworski, in his book ‘Synchronicity, The Inner Path of Leadership’ writes about his own experience with this new paradigm leadership. He quotes physicist David Bohm:

“Yourself is actually the whole of mankind. That’s the idea of implicate order – that everything is infolded in everything. If you reach deeply into yourself, you are reaching into the very essence of mankind. When you do this, you will be led into the generating depth of consciousness that is common to the whole of mankind and that had the whole of mankind infolded in it. The individual’s ability to be sensitive to that becomes the key to the change of mankind. We are all connected.”<sup>42</sup>

What this means is that new ways of knowing are required to embrace and experience this new reality. Most of us are still employing a 19<sup>th</sup>-century mechanistic and deterministic worldview and use deterministic and linear logic in solving issues in our life. The new ways of knowing go beyond mere intellectual logic and gross cognitive perception to a mode of perception that can best be described as a mental, emotional and spiritual experience. This experience, for which no common term exists, is sometimes referred to as consciousness or spirit.

The original meaning of ‘spirit’ comes from the Latin *spiritus*, which means ‘breath’, which is also true for the Greek *psyche*, the Sanskrit *prana* and the Chinese *ch’i*. This indicates that the original meaning of spirit in many ancient philosophical and religious traditions, in the West as well as in the East, is that of the flow of breath. Fritjof Capra, a leading thinker who is integrating science and spirituality into a ‘new science of sustainability’, observes:

“Since respiration is indeed a central aspect of the metabolism of all but the simplest forms of life, the breath of life seems to be a perfect meta-

phor for the network of metabolic processes that is the defining characteristic of all living systems. Spirit-the breath of life, we have in common with all living beings. It nourishes us and keeps us alive.”<sup>43</sup>

Spirituality is usually understood as a way of being that flows from a certain profound experience of reality which is known as ‘religious’ or ‘mystical’ experience. There are many descriptions of this experience in the literature of the world’s religions, which tend to agree that it is a direct, non-intellectual experience of reality with some fundamental characteristics that are independent of cultural and historical contexts.

Modern neuroscience and psychology are showing that this is a real experience, not merely imagined, accessible to all human beings at any time and place, and moreover that this experience has profound positive effects on the subject. An authentic experience of interconnectedness releases energy, inspiration and creativity. The experience can be characterized as moments of heightened aliveness. Psychologist Abraham Maslow called these ‘peak experiences’ and his colleague Mihaly Csikszentmihalyi refers to this state of total absorption as ‘flow’.<sup>44</sup> Eastern contemplative traditions refer to this heightened mental alertness as ‘mindfulness’ and they emphasize – importantly – that these states can be cultivated and trained. In that sense there is nothing ‘mystical’ about it; it is simply an experience that we do not know well in our hectic modern life. And those who do know it express it in widely different terms, often with religious connotations. I would like to call this experience ‘deep inspiration’.

As scientific evidence is now confirming, this experience of ‘deep inspiration’ can dramatically improve the life of the person who experiences it and make him or her operate more effectively in his or her environment. This is because it is an experience that connects and opens up the person to deeper levels of reality, which are in fact more ‘real’ and more grounded than our ordinary sense of reality.

This is a very important point, often forgotten in the psychological and spiritual literature describing this experience. The person is actually more ‘alive’ and therefore more capable in dealing with all facets of day-to-day life. From *knowing* oneself to be an integral part of the larger whole, and *knowing* that the future is constantly co-created, values and ethics automatically spring. We and others jointly create the whole. Being an integral part of the whole, it starts to make sense to serve the larger whole rather than – what traditional education taught us – to deconstruct and compartmentalize it and look for specialized solutions.

From this insight one cannot but get inspired: every action, big or small, has an impact on the larger whole, everyone and everything has meaning. Meaning is that which inspires every human being and brings out one’s best intellectual and emotional intelligence and hence one’s best performance. In other words, the authentic experience of inspiration is not merely mental or esoteric but is embodied in the energetic and physical realm.<sup>45</sup> Hence it is relevant for business and economics.

This is made clear in the recent book ‘Presence’, in which Peter Senge, Otto Scharmer, Joseph Jaworski and Betty Sue Flowers interpret interviews they held with over 150 leading scientist and entrepreneurs, asking each person “What question lies at the heart of your work?”<sup>46</sup> They found an extraordinary commonality among the responses; they were all pointing to experiences of deeper seeing and sensing. One of them, the noted economist W. Brian Arthur, put it as follows: “Every profound innovation is based on an inward-bound journey, on going to a deeper place where knowing comes to the surface.” It is clear that a deep inner experience of inspiration lies at the heart of many successful leaders, regardless of their faith, beliefs and background.

It is equally important to note that through training, this experience can be accessed and gradually become a force for daily gratification



and sustained action. If inspiration is embodied in our actions, it will improve the organization in which we operate. If inspiration is allowed to flow or resonate throughout the organization, our individual and collective performance will improve dramatically. Ultimately, it is the collection of best performances within an organization that will create true and sustainable value for the organization, as well as general well-being for the society that it serves.

#### NEW ECONOMIC STRUCTURES

What would an economic model look like if it were to allow deep inspiration to inform our collective behaviors? Clearly, as we discussed earlier, our current models have not taken this notion into account. Let's first have a look at our largest, macro-economic models. Recalling the original Greek meaning of economics, and now knowing that we are all part of one global system, we may ask: how should we manage our planetary household?

In the last century we have experimented with the two extremes of economic modeling: central planning under communism and free market capitalism. The latter functions on principles of self-regulation, self-organization, creativity and so on, while communism is based on a central point of intelligence. Capitalism clearly allows better for the emergence of inspiration, yet when we look more carefully, we can observe that neither of the extremes is optimal. The fostering of inspiration is not limited to mere self-expression and seeking short-term happiness for oneself alone, but rather involves a long-term perspective of meaningful fulfillment for the collective. Deep inspiration is a function of integral belonging to the larger whole. Hence inspiration relates to sustainability and equity, exactly those aims that are put at jeopardy by the current form of global capitalism.

There are now many ways to show that both capitalism and communism are systems that, when taken to an extreme, are self-destructive. Governments who see themselves to be controller of the economy tend to over-promise and over-spend. Their politicians express rhetoric and fail to take measures towards sustainable development, as these would require longer-term investments beyond their elected office tenure. Conversely, if governments, considering markets supreme, fail to provide effective market guidance and regulation, business ends up controlling the economy. This is what has happened in the last decades, as business is increasingly holding governments hostage over the promise to be the nation's employment and tax generator. Business, designed to focus on short-term financial profits for its shareholders as its primary objective, is now dominating governments' longer-term agendas. Under such a scenario no significant investments in sustainable development can be expected either. More likely is the collapse of the entire system.<sup>47</sup>

What is needed is a 'middle way' approach: the notion that we need efficient markets *and* central leadership. Middle way does not mean a compromise or settling for second-best. Rather, it means proactively creating an attitude of responsibility of all actors in the economy by which synergetic alliances with win-win outcomes are naturally achieved. Thus, new paradigm economics is congruent with what is known as a 'mixed economy', the idea that market forces could do many things well – but not everything. Economic history has shown that healthy economies and in fact healthy societies generally had such a mixed economy, in which markets and governments work together in a dynamic equilibrium.

This will require governments and all actors in the economy to reclaim responsibility for their lives and start defining economic objectives in human terms. The neoclassical principle of 'laissez-faire' has wrongly created a mentality of taking things for granted and we have become enslaved by the market and its monetary values. The alternative is not a return to rigid central planning and closing

one's borders, but rather the development of an alternative, 'middle way' economic model, which accounts for material wealth *and* non-material health, as well as the balance between them. With the right balance, or equilibrium, our economies would promote 'resonance' rather than 'dissonance'; they would serve life rather than destroy it. They would become truly alive, as post Darwinist biologists would say.

Our current (inter)national accounting standards fall short of indicating to what degree our economies are resonant and sustainable. This essay has mentioned a number of initiatives, such as the post-autistic economics movement, Barrett's value assessment tools, the Quality of Life Indicators and the Gross National Happiness dialogue, that seek to address this flaw. We need to take this pioneering work a quantum leap forward, by deeper inter-disciplinary research and development, testing and piloting the new economic models.

There are, of course, tremendous difficulties involved in macro-economic remodeling. First, any change will have a great impact, with cross-border consequences. Thus, any experiment entails tremendous risks. Second, we don't have global governance structures designed to oversee and manage these changes. Since our societies and economies are so intrinsically interwoven, the lack of such structure is a major problem in itself, as we discussed in part one. Many inherently global problems now simply fall outside the scope of our current governing institutions. Therefore, it is much easier to take the lessons from the meso- and micro-economic level, where a lot of experimentation is taking place, and extrapolate them to the macro-level. In other words, the leadership role befalls on business and their leaders.

Much of modern organizational and leadership theory is already inspired by modern biology. As former Shell executive Arie de Geus was one of the first to note in 'The Living Company'<sup>48</sup>, organizations can be compared with living organisms. Rather than cold cash

producing machines, they are a collection of human beings working together in a living network. And the more they feel at home in the network, the more they will serve the network.

The capacity to think and act as part of the larger whole, to establish the ‘right’ balance or resonance between parts of the whole, or simply to be ‘alive’, is emerging as the ultimate value driver for the organizations of the future. Jim Collins and Jeremy Porras, who reviewed history’s most successful and enduring companies:

“The next wave of enduring great companies will be built not by technical or product visionaries but by social visionaries – those who see their company as part of society and how it operates as their ultimate creation and who invent entirely new ways of organizing human effort and creativity.”<sup>49</sup>

Any organization that wishes to succeed and sustain itself in the long run will need to respect, and operate in accordance with this newly revealed reality; hence business leaders of the future have no choice but to build life-based organizational models.

This constitutes a radical break from seeing human beings merely as an expense item on the profit and loss statement and calling them, slightly more elegantly, human resources. Interestingly, in accountancy terms, humans were never considered assets of the company, even though corporate leadership expresses rhetoric referring to their staff as assets or human capital. Perhaps these accountancy rules were born out of respect for human life: assets are legally owned and controlled by the company, while personnel is free to leave the company at will. But if humans are neither assets nor capital, yet so critical for our business success, how do you properly account for them?

In order to achieve truly life-supporting organizations, we require an equally radical adjustment in company charters and law, which

now emphasize profit making as the prime and overriding purpose of business. This, however, will greatly impact investors and financial markets, where vested interests are very likely to resist any change in status quo.

#### HOPE FOR THE FUTURE

The current paradigm shift manifests in manifold and often confusing, contradictory ways, invoking questions and forces of resistance that seem insurmountable. But we can't wait: the challenges will not disappear by themselves. We need leaders who are willing to tackle them, who understand that man-made problems call for man-made solutions. Annie McKee and Richard Boyatzis have defined these leaders as follows:

“resonant leaders are stepping up, charting paths through unfamiliar territory, and inspiring people in their organizations, institutions and communities. They are finding new opportunities within today's challenges, creating hope in the face of fear and despair.”<sup>50</sup>

Resonant leaders are inspired leaders. We can be inspired by the new emerging scientific paradigm of non-material interconnectedness – everything being an integral part of the larger whole, with human consciousness at its source. Once we fully understand its implication, breakthrough insights will emerge, indicating the best way forward for managing our planetary household. This will trigger hope for our future.

The economic models of the future will no doubt account for a reality much closer to the totality of the human experience. They will be more aligned with mankind's deeper aspiration, in which the mind, emotions and other intangible values play such an important role. Only when we acknowledge that there is more than meets the eye, we will be able to create an economy that works for everyone. It is mind over matter, after all.



## Notes

1. Lionel Robbins, quoted in *The Penguin History of Economics*, by Roger E. Backhouse, 2002.
2. *Small is Beautiful, Economics as if People Mattered*, by E.F. Schumacher, 1977.
3. All major religions discouraged or prohibited interest on lending, as it was considered unethical to earn money on money, by unproductive means. Islam retains its laws against interest on money into the present day.
4. A critical analysis of the phenomena can be found in Michael Rowbotham, *The Grip of Death; A Study of Modern Money, Debt Slavery and Destructive Economics*, 1998, and Bernard Lietaer, *The Future of Money, a New Way to Create Wealth, Work and a Wiser World*, 1999.
5. Quoted by Hazel Henderson in *Beyond Globalization; Shaping a Sustainable Global Economy*, 1999.
6. Corri Azzi and Ronald Ehrenberg, quoted in Robert Kuttner, *Everything for Sale*, 1997.
7. Sir John Brown, in BBC Reith Lecture, 2000.
8. The Economist, September 9, 2004. Other financial experts who predict a major crisis are Robert Rubin, Lawrence Summers and Joseph Stiglitz.
9. For an accessible introduction into these domains, see Ervin Laszlo, *Cosmic Vision – The Dawn of the Integral Theory of Everything*, 2004, and Amit Goswami, *The Visionary Window – A Quantum Physicist’s Guide to Enlightenment*, 2000.
10. Economists estimate that around 80% of a company’s value is intangible, like brands, goodwill and human capital. This trend of ‘immaterialization’ of companies is likely to continue. See, for example, research of Innovest Strategic Value Advisors in New York, a leading firm analyzing corporate social responsibility, [www.innovest-group.com](http://www.innovest-group.com).
11. See for example, the research of biologist Francisco Varela, in *The Embodied Mind; Cognitive Science and Human Experiences*, 1991, and *Healing Emotions*, by Daniel Goleman, 1997.

12. See research by Richard J. Davidson, Proceedings of the National Academy of Sciences, *us*, Nov. 16, 2004. For further information on meditation and neuroscience see also: [www.mindandlife.org](http://www.mindandlife.org)
13. See for example the work of Martin Seligman, in *Authentic Happiness*, 2002, who divides life into three segments: The pleasurable life, the good life, and the meaningful life. The 'pleasurable life' is about accumulating as many kicks as you can-and learning how to savor and amplify them-things like shopping, eating, drugging, meaningless sex, etc. The research is finding that having more pleasures does not increase life satisfaction. The 'good life' as defined by Seligman is about understanding and using one's core strengths/virtues in work and love and play. Lastly, the 'meaningful life' is when a person uses his/her strengths for the purpose of something larger than him/herself. Choosing to live a life of faith, purpose, meaning, correlates to life satisfaction measures. These notions now feed the rapidly growing movement of Positive Psychology. For an interesting overview of the emerging research in this field, see Time Magazine's special on 'the science of happiness', February 7, 2005.
14. Altruism has also been found to be more efficient than market exchange in spheres such as health care and education. See, for example, an examination of the British and American blood banks in Richard Titmuss' classic *The Gift Relationship*, 1970.
15. Quoted in *Compassion or Competition; A Discussion of Human Values in Economics and Business*, by the Dalai Lama, 2002. We should recognize that even though compassion is a desirable state of mind, there may well remain a role for competitive practices. As the Dalai Lama says, competition can be beneficial if it encourages us to be the best in order to serve others. Tibetan Buddhist monks for whom compassion is the heart practice, know a variety of competitive events, including heated public debates, which help to sharpen the mind. So while compassion is the motivating factor, competition can be a means to achieve the goal.
16. *Institutions, Institutional Change and Economic Performance*, by Douglass C. North, 1990. The concept of cooperation has become an area of growing economic research known as institutional economics.
17. *Development as Freedom*, by Amartya Sen, 1999
18. see PAE's website at: [www.peacon.net](http://www.peacon.net)



19. Daniel Kahneman's Nobel Prize lecture can be read in *American Psychologist*, September, 2003.
20. *The Wealth and Poverty of Nations*, by David Landes, 1998.
21. *Open Society; Reforming Global Capitalism*, by George Soros, 2000
22. The World Bank in 1995 issued a revolutionary "Wealth Index", which defines the wealth of nations to consist for 60% of 'human capital' (social organization, human skills and knowledge), 20% of environmental capital (nature's contribution) and only 20% of built capital (factories and capital). The United Nations have produced the UN Human Development Index (HDI), measuring factors such as education, life-expectancy, gender and human rights data, which is now commonly used in each of the UN's 187 member countries.
23. *Calvert-Henderson Quality of Life Indicators*, by Hazel Henderson, Jon Lickerman and Patrice Flynn, 2000.
24. *Happiness and Economics; How the Economy and Institutions Affect Well-being*, by Bruno Frey and Alois Stutzer, 2001.
25. Posted at [www.argmax.com](http://www.argmax.com), 1998
26. see [www.grossinternationalhappiness.org](http://www.grossinternationalhappiness.org) and [www.gpiatlantic.org](http://www.gpiatlantic.org)
27. see [www.sustainable-development.gov.uk](http://www.sustainable-development.gov.uk)
28. see Frank Dixon, *Total Corporate Responsibility; Achieving Sustainability and Real Prosperity*, in *Ethical Corporation Magazine*, December 2003, and also Jim Collins, *Good to Great*, 2001.
29. Since 1995, socially responsible investing (SRI) assets have grown 40 percent faster than all professionally managed investment assets in the US (to \$2.2 trillion). See Dixon, note above.
30. *Emotional Intelligence*, by Daniel Goleman, 1999
31. *The Fifth Discipline*, by Peter Senge, 1990
32. See, for example, the story on the successful transformation of a Unilever subsidiary by tapping into the 'heart intelligence' of the leadership and staff, recounted in *From the Desert and Back*, by Mirvis, Ayas and Roth, 2003.
33. *Emotional Intelligence*, see note 30
34. *Liberating the Corporate Soul*, Richard Barrett, 1998 and also: [www.values-centre.com](http://www.values-centre.com).
35. James C. Collins & Jerry I. Porras, *Built to Last*, 1996

36. *Good to Great*, by Jim C. Collins, 2001
37. Richard Boyatzis and Annie McKee, *Resonant Leadership; Renewing Yourself and Connecting with Others Through Mindfulness, Hope and Compassion*, Harvard Business School Press, 2005.
38. Ken Wilber, *A Theory of Everything*, 2000
39. Don Beck and Christopher Cowan, *Spiral Dynamics: Mastering Values, Leadership and Change*, 1996
40. see quote 34.
41. quoted in What is Enlightenment?, March-May 2005. See: *Leadership and the New Science: Discovering Order in a Chaotic World*, by Margaret J. Wheatley, 1999
42. Joseph Jaworski, *Synchronicity: The Inner Path of Leadership*, 1998, from a taped conversation with Bohm.
43. Fritjof Capra, *The Hidden Connections*, 2002. See also his equally fascinating *The Web of Life*, 1997.
44. Mihaly Csikszentmihalyi, *Flow: The Psychology of Optimal Experience*, 1999
45. This notion of spirituality is consistent with the notion of the embodied mind that is now being developed in cognitive science, see note 11.
46. Peter Senge, Claus Otto Scharmer, Joseph Jaworski, and Betty Sue Flowers, *Presence: Exploring Profound Change in People, Organizations and Society*, 2004. See also Claus Otto Scharmer, *Presencing: Illuminating The Blind Spot of Leadership*, 2004. They associate this experience to generativity – hence they coin the term generative leadership to describe this ability.
47. While our generation already witnessed the collapse of the dominant communist empire, the Soviet Union, some credible observers now predict the demise of the dominant capitalist country, the United States. Paul Volcker, the previous Chairman of the us Federal Reserve, is putting the probability of “a hard landing’ at 75% within the next 5 years” – see note 8. A major dollar crash is now expected by many other monetary luminaries like Robert Rubin, Lawrence Summers and Joseph Stiglitz. Two major us magazines have published substantial articles in recent issues, referring to this possibility. *The Atlantic Monthly* (July/August 2005) talks about “Countdown to a Meltdown: America’s coming economic crisis”. In *Harpers Magazine* (June 2005) you find a sobering discussion entitled “The Iceberg Cometh: Can a Nation of Spenders Be Saved?”

48. Arie de Geus, *The Living Company*, 1997.

49. see note 35

50. see note 37



## About the author:

Sander G. Tideman (LL.M.) is a management consultant, holding degrees in international economic law from the University of Utrecht and University of London. After a career in law and banking, of which nine years based in Asia, he consults firms on leadership and strategy. He is an associate of the Teleos Leadership Institute in Philadelphia and Van Ede & Partners in Amsterdam. Sander co-founded Spirit in Business, a network organization promoting ethics and values in the business world. He also serves on the board of several institutions, including the Netherlands Commission on International Cooperation and Sustainable Development (NCDO) and the Bridge Fund. He is the editor of *Compassion or Competition; A Discussion on Human Values in Business and Economics*, by H.H. the Dalai Lama.

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## Comments received

*This essay is the best thing I've ever read on economics! I hope it is read by many and has a great and lasting impact.*

B. Alan Wallace, PhD, founder and president, Santa Barbara Institute for the Interdisciplinary Study of Consciousness, author of *Choosing Reality* and *Buddhism and Science*

*A masterful essay, a wise and practical contribution to the dialogue on the ethics underlying economics and globalization.*

Hazel Henderson, author *Building a Win Win World* and *Beyond Globalization*, Founder, Ethical Market Place.

*I am particularly impressed by your paper on alternative economic models. Not since Schumacher's 'Small is beautiful' have I read an article on a new way of economics that was so full of good sound common sense and that also reflects on the spirit of mankind, and more significantly the links between the two.*

Alan Harpham, director of P<sup>5</sup> The Power of Projects & deputy chairman of MODEM, London

*This is a masterfully written and well-articulated essay. It is the first time I have read an essay on changes needed in economics that I so fully agree with – both in terms of content and spirit. I am not trying to flatter you or inflate your sense of 'self' – it is a well-crafted piece from a number of vantage points.*

Mark P. Kriger, Professor of Strategy, Norwegian School of Management BI, Norway

*I found your essay to be one of the best I've seen; one which gets really close to the core dilemma of competition and what confronting it really means for each of us. For me, this was the most illuminating.*

John Bunzl, Managing Director, ISPO, London

*Well written, full of wisdom and with amazing clarity of vision.*

Reinout van Lennep, Executive Vice President, ABN AMRO Bank, Zurich

*A great paper, well researched and highly resonant with my own ideas. It points to the deepest flaws of our current unsustainable economic models and how we should deal with them.*

Frank Dixon, Managing Director, Innovest Strategic Value Advisors, New York

*I really enjoyed your paper. I admire the diversity of sources (how do you keep track of them?) and the way you have managed to put them into a coherent whole, into an emerging system. Thanks for the inspiration that your piece has given me!!!*

Henk Schulte Nordholt, CEO, Hofung Technology, Beijing

*I have been reading your paper and I told my wife this morning that it is like a refreshing glass of water after a trek in the desert. You have managed to condense so many facts, which often spin around the head in frustration, and succeeded in providing sensible arguments for alternatives. In my contacts with companies and institutions it is precisely papers like yours, with these arguments, which become very useful to convey the importance of adopting sustainable policies with respect for "measurable intangibles" in the business world.*

Christer Söderberg, CEO, Zero Aeons, Stockholm

*I loved your article. I have been reading it over and over again, trying to understand all that is there because it is really complete, there is a lot there.*

Pancho Otero, founder BancoSol, Micro Finance Bank, Bolivia

*Thank you for the great essay. It is refreshing and inspiring, and touches on the deep ideological roots of economics. It helped me in my own writing on economics, which is so often misrepresented as a science. We need a new common sense approach to economics and your essay points the way.*

Rajni Bakshi, author *Rethinking the Role of Markets: From Master to Servant*, India

*This is one of the brightest essays I have read on the issue of the reconciliation between economics and consciousness or spirituality. I do hope that people see that there is a new perspective of which everyone can benefit.*

Wessel Ganzevoort, Professor Organisational Behavior, Economics Faculty, University of Amsterdam.

*A clever and erudite analysis and a hopeful perspective for the emerging Pragmatic Generation which wants to work for a better world free from all ideology, be it that of the liberal economy or of egalitarian socialism. An encouragement to replace the reigning egoistic and egocentric forms of individualism by a 'responsible individualism' in which everyone makes full use of his/hers typical talents where they may confront the major problems of this world.*

Hans Leewens, Chairman Van Ede Foundation, Amsterdam

*I have had a chance to read your paper and evolving thinking a number of times now, watching it evolve along the path. It has gotten strong and very comprehensive. I completely applaud it and feel very aligned with the suggested way forward. Thank you!*

Anders Ferguson, Managing Partner, Uplift Equity, New York

*This is a brilliant essay, summing up humanity's most urgent challenges and suggesting a valid way forward.*

Robert Jan van Ogtrop, Managing Director, cvc Capital Partners, the Netherlands