

Betterness: Economics for Humans

by

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To Naqsh, Batul, and Shanzeh,

For cultivating their gardens

And teaching me why.

Chapter 1-Introduction: The Not-So-Dismal Science?

Near the turn of the twentieth century, a high priest became a heretic. After a lifetime spent pioneering the nascent discipline of psychology, the eminent Harvard professor William James asked a dangerous question that began turning his field upside down. Psychology's quest, he ventured, might just be larger than merely curing mental illness. What if the average person—even if mentally healthy—were only living up to a small fraction of his or her potential?

Like a big bang, James's question ignited a great paradigm shift. Every discipline is founded on what American historian and philosopher of science Thomas Kuhn famously called a paradigm: a shared set of assumptions and frameworks. Fast forward to the discipline of positive psychology. Described by two of its founding scholars, the University of Pennsylvania's Martin Seligman and Claremont Graduate University's Mihaly Csikszentmihalyi as "a psychology of positive human functioning," positive psychology upended the paradigm that preceded it: it is focused not merely on *curing mental illness*, but on *fulfilling human potential*.

Here is how positive psychologists Shelly L. Gable and Jonathan Haidt put it: orthodox psychology raises "people up from negative eight to zero, but [it's] not as good at understanding how people rise from zero to positive eight." Positive psychology leaps past the

definition of mental health as merely being pathology free to achieving a state of optimal functioning: one where it's possible to do more than merely "function normally." Consider, for example, Csikszentmihalyi's pioneering work on flow, a state of intense focus that lets greater heights of achievement be scaled: it's a path to going beyond merely minimizing pathology—and toward maximizing potential.

The foundational principle of this school of thought isn't just to make up for a lack, but to *expand* the boundaries of the whole. Its aim isn't merely to raise the floor of the negative, but to heighten the ceiling of the positive. Its great revolution was to reconceive of a healthy mind not just as one that was less dysfunctional, but one capable, at its peak, of *better, richer, wholer function*.

Like psychology in James's time, economics in our time has been founded on what you might call a *negative* paradigm. Its apostles and pioneers, like Adam Smith in the eighteenth century, David Ricardo in the nineteenth, and Milton Friedman in the twentieth, have stood on one another's shoulders to build a dogma whose fundamental doctrine was to erase the economic pathologies of the past. Just as being free of mental pathologies yields a healthy mind, the negative paradigm contends, so being free of economic pathologies—like obstacles and barriers to commerce and trade—yields a healthy economy. Which is why a healthy economy is *still* concisely summed up by Adam Smith's metaphor of the invisible hand, today simply taken to mean an economy where self-interested, profit-seeking corporations are free to sell products and services to consumers who are free to buy them, with the happy side effect of maximizing the volume of output. Just like the

healthy mind of the nineteenth century was one free of mental pathologies, so the invisible hand's free market is one cleansed of economic pathologies.

And with good reason. Think back, for example, to the dawn of the industrial age: the world was riddled with—and crippled by—economic pathology. Guilds protected local monopolies; mercantilist governments blocked flows of products and finance; owners of organizations bore unlimited liability for managerial mistakes; markets for products, people, and financing had little information about earnings and revenues to make informed decisions.

Hence, economics has been, like the negative psychology of the past, preoccupied with minimizing dysfunction, with removing barriers to commerce and trade. At the same time, an ever more complex framework of legislation and regulation prevents commerce from going wrong. “Business” as we know it, live it, and do it is the expression of this economics of antipathology.

Once upon a time, it took a royal charter to incorporate; today, it takes a mouse click and a credit card. Yesterday's pathologies are today, if not totally conquered, then at least mostly vanquished, and the recipe for sending them packing now formulated, packaged, and dispensed by the dozen under the label “liberalize, privatize, and stabilize.” Just like a patient on a nineteenth-century couch, our regimen rests on a foundational belief: that, at its best, an economy is one that's not visibly, wheezingly *unhealthy*.

Having spent centuries analyzing the manifold and variegated

ways in which markets, corporations, and consumption can go wrong—from a lack of competition, to a drought of information, to a shortage of skills, to a surfeit of red tape—we’ve spend decades plumbing the depths of efficiency, productivity, and effectiveness. Hence, modern theories of management also rest on this negative paradigm, and the modern manager exists largely to prevent dysfunction, limit deviance, and correct error, just as classical psychologists focused on ridding the conscious and unconscious mind of neuroses and phobias.

But perhaps, given the parlous state of global prosperity, merely ridding the economy of dysfunction might *not* be enough to power another century or more of wealth creation. Maybe merely erasing industrial-age dysfunction yields not a “healthy” economy, just a stagnant one.

While we’ve perfected a negative paradigm and learned to zap dysfunctions with the economic equivalent of superweapons, here’s what we haven’t done: build a positive paradigm. In a positive paradigm, the healthiest state isn’t just one that minimizes pathologies, but one that maximizes potential. The terra incognita we’ve never explored is whether it’s possible for prosperity and human exchange not merely to go less wrong, but more *right*.

I’m no William James, but if you’ll permit me, I’d like to pose a question. Though the pathologies of the distant past may have been cured, what if, just maybe, the economy is only living up to a fraction of its potential?

Just as we no longer understand a healthy mind to simply mean

“one free of dysfunction,” but to mean a mind that can scale higher and higher peaks of emotional and cognitive function, I’d argue that the time has come for us to reconceive our definition of a healthy economy to go beyond corporations and markets that are less sick, freer of pervasive organizational and managerial disorder. A positive economic paradigm doesn’t merely conceive of “health” as maximizing profit by minimizing waste but as redefining the outer limits of human achievement. Call me an unrepentant optimist, but I’d bet that billions of brow-mopping person hours spent on bigger SUVs, smellier deodorants, and jumbo-sized fast food *isn’t* the lofty apex of humankind’s untrammelled potential. I’d wager the farm, the house, the 401(k), and the tasseled loafers on the following proposition: that the sum total of human effort can add up to not merely more, but to *better*.

What if commerce, companies, and trade can make us better off in bigger, more enduring, more human ways than simply *having*? What if the great challenge for enterprise in the twenty-first century is no longer merely manufacturing the alluring, spotlight glamour of mass-produced opulence, but cultivating a more authentic plenitude that matters in human terms? What if it’s time for economics to, just as psychology is doing thanks to James’s explosive question, make a paradigm shift—from negative to positive?

I call this positive paradigm *betterness*; in contrast with business, it’s not about being busier and busier (to what end?) but about becoming better. I believe it’s the next step in the evolution of prosperity and that its foundational principle is living lives that matter in human terms.

I want you to consider this question: what if the frontiers of economic attainment, the distant shores of human exchange, haven't even been explored, much less mapped and conquered? I don't have that map for you, but I hope this essay can serve as something like a compass, a tool you can use to help us redraw our maps.

The paradigm we casually call business is just *one* approach to human exchange. It was built in an industrial era, and for it. Its fundamental assumptions—shareholder value creation, mass production, hierarchical management, disposable goods made for consumers—are today less profitable, useful, worthy, and beneficial than ever. Betterness, in contrast, isn't just a slightly better way to “do business”; it's the art of bettering prosperity so it arcs through the stratosphere of an authentically good life, bettering human potential so it unfurls into accomplishment and, at its outer limits, transforms human possibility radically for the better.

Here, then, is my invitation. If you're delighted with the status quo, splendidly contented with the present, firmly convinced that the way we live, work, and play is the best and last way we can, put this volume back on the digital shelf. On the other hand, maybe you're beginning to believe that progress's program hasn't just crashed, but that it might need an upgrade, that plentitude's glitching code might need not merely to be painstakingly debugged, but rewritten, and that yesterday's institutions aren't just mildly hiccupping, but malfunctioning. Maybe you believe that, at its best, humankind is capable of reaching not merely for the mall and the big-box store, impelled by the bonus and the

corner office, but for the stars and beyond, propelled by the luminous promise of lives meaningfully better lived and the unconquered challenge of scaling the highest peaks of human potential.

Often, the most stubbornly dangerous adversaries that a firmly entrenched dogma can encounter aren't opponents, but renegades: obedient practitioners who become rule-breaking outlaws. Like most of us, you've probably been—and are getting a little weary of being—the former. But I'd bet that like most of us, deep down, you're beginning to suspect that the plight of the present might just demand that each of us, in our own tiny way, rebel and become the latter. So let's roll up our sleeves and reimagine prosperity for the twenty-first century.

Let's start by taking a closer look at what exactly has gone wrong with business.

Chapter 2-The Capitalist's Paradox

Ask yourself why, despite billions spent on “change,” “transformation,” “training,” and “engagement,” does the work most organizations offer most people seem so unfulfilling? Why is it that the unhappiest part of the day has been found to be . . . the daily commute to work, closely followed by being *at work* when so much of our short lives are spent at work?

Why are most vision statements maddeningly unvisionary? Why is it that if in most boardrooms, you uttered words like “wisdom,” “truth,” “love,” “beauty,” or “justice”—the timeless expressions of the highest human potential—you’d probably end up in handcuffs, a straitjacket, or both? Why is it that the globe’s trillions of person-hours of human effort are dedicated to . . . designer diapers, disposable clothes, and pet Prozac?

Why is business chronically and often unashamedly at odds with what’s good for people, society, and the natural world? Why is the generally accepted definition of prosperity the growth of industrial output, not the emotional, social, intellectual, physical, or ethical growth of humans?

If businesses exist to benefit shareholders first and foremost, but if the top 20 percent own over 80 percent of all stocks, can “shareholder value” be a recipe for a broadly shared prosperity?

If selling shinier, rapidly commoditizing, me-too stuff to the rich

requires pumping up superfluous demand and dreaming up imaginary benefits, while billions across the world have little water, food, sanitation, or health care, can a “profit motive” really ignite global wealth?

These aren’t idle speculations. They’re fault lines: between the boardroom and the living room, the shareholder and the citizen, the job and the calling—between what human exchange has been, and what it *should* be and *can* be.

What do you see when you look at the future of prosperity, not just a few years hence, but a few decades from now? What’s different about the companies of tomorrow? What is traded tomorrow that isn’t traded today? What are the functions commerce serves that would surprise today’s CEOs? How does the contract among people, communities, society, and markets differ? What are the unexplored—and previously unimagined—possibilities for human exchange?

Maybe there are better kinds of companies, which can return more than just profit through better approaches to production and consumption, that can yield more meaningful, durable benefits by trading and exchanging hardier, more enduring, more fruitful kinds of capital. Maybe there’s not merely a link missing from, but a yawning gulf between, the commonly understood point of the industrial growth of output and the human growth of people.

Why ask these questions? Because when we talk about a *paradigm*, we’re talking about a set of fundamental concepts, assumptions, and beliefs hardwired deep into our daily rituals, our shared expectations, and even our vernacular—a mental software for

human exchange. Hence, like most paradigms, it's as familiar as the air we're breathing, and just as invisible.

When we think of a healthy economy, most of us probably think of output: GDP. GDP measures industrial output, denominated in income. It's the linchpin of a paradigm built in and for the industrial age, premised on the foundational question, "How can we achieve more, bigger, faster, cheaper output—now?" And the essential elements of yesterday's answer have been four assumptions.

First, that companies exist to earn "profit," in the form of financial returns, by extracting rent for their owners—shareholders—as codified by the great eighteenth-century economist David Ricardo. Second, that in a hierarchical regime of militaristic control, managers are a company's exclusive decision makers, and that their primary responsibility is crafting strategies that let a company "win" vis-à-vis adversaries, as put into practice by the legendary Alfred P. Sloan. Third, that employees "work" on parceled-up tasks to mass-make "product" à la Henry Ford. And, finally, that at the end of the globe's great chains of production sit the people known as "consumers" whose immediate needs companies exist to "satisfy"—an idea best codified by the great economist Alfred Marshall, the father of the now-familiar supply-demand chart.

Touch it up with a filigree here and there if you like, shade it in with color if you want, but I'd argue that this Ricardian, Sloanite, Fordist, and Marshallian mind-set, this set of industrial-age assumptions and beliefs, is a rough but complete approximation of business not just as we know it, but also as we see it, do it, live it,

practice it, and *think* it.

And as we have known, thought, and lived it. So little have the components of this paradigm changed over the decades, that most of us see them not just as eternal fixtures of the landscape, but as the landscape.

Think it can't be changed? We've done it before. Remember, human exchange wasn't always synonymous with what we think of today as "business." Historian Peter Watson has traced commerce back not just for hundreds of years, but for more than 100,000 years. Three millennia ago, the Mediterranean and Aegean seas were hotbeds of commerce, yet trade was done by *negotiatores*, combination bankers-cum-wholesalers, and *mercatores*, or local merchants, who traded often naturally harvested commodities through networks and coalitions on a small, sole-proprietor scale, pursuing the bottom line of cash flow. Though individuals, families, and partnerships certainly made fortunes then as now, from shrewd negotiation and risky enterprise, it wasn't through Ricardian, Sloanite, Fordist, Marshallian "business" as you and I know it.

So picture, if you will, the broader outlines of the world of commerce *before* business. As brought vividly to life by the works of the great sociologist Karl Polanyi and eminent historian Fernand Braudel, it was a world where households were the economy's main productive unit; guilds and communities its main organizational form; local marketplaces its loci of exchange; surplus, rather than profit, its flywheel; and reciprocal exchange its nexus. It was, in short, a radically different blueprint for human exchange, one designed for a very different conception of

prosperity.

In that era, society's great achievement was subsistence, instead of perpetual strife, and its great challenge might be said to have been material abundance. Yesterday's was a commerce that excelled at producing handcrafted luxuries for the rich in tiny numbers, like handcrafted furniture, finely made frescoes, or towering, grand sculptures. But—shades of Marie Antoinette exasperatedly exclaiming “let them eat cake!” at hungry Parisians—it was deficient in offering reasonably priced goods to rising middle classes, poor at creating abundance, and lacking in innovation.

Think, then, of the potency of a paradigm that unlocked the power of producers to supply and of consumers to demand. It could knit together and make the most of novel institutions, like assembly lines, factories, and bureaucracies to produce low-cost goods at unprecedented scale and compete to improve their features and attributes with ever-greater ferocity. It could mobilize the minds and muscles of not just dozens, but hundreds of thousands, distribute and source to and from all corners of the globe, and ubiquitously sell goods in city, town, and village alike. In this context, business was radical—and revolutionary—in the abundance it unleashed. It's no wonder that to most, a healthy economy still means one that maximizes the volume of output.

Yet I have come to believe this paradigm has reached a state of diminishing returns. Take a look at what business as usual *hasn't* been able to create over the last decade:

- *Value.* It's often thought that, over the long run, equities are a sure bet. In recent history, they've delivered steady, sure,

positive returns. Until now. The noughties were the first decade in recent history during which, broadly speaking, no shareholder value was created. If you'd put \$1,000 in a broad basket of equities, like the S&P 500, you would have been left with only about \$800.

- *Returns.* Business is an engine of profit, right? Wrong. As John Hagel III and John Seely Brown, codirectors of Deloitte's Center for the Edge, have noted with their path-breaking Shift Index, real asset returns have been dwindling—not rising—for decades.
- *Jobs.* The past decade was the first in recent history during which net job creation in America was essentially zero; more jobs were destroyed than were created. Hence, today's staggering—and unprecedented—unemployment crisis.
- *Fulfillment.* In survey after survey and study after study, engagement, job satisfaction, and numerous other measures of fulfillment are low—and dropping. In 1987, when the Conference Board first surveyed fulfillment, 61 percent of people were satisfied with their jobs. By 2010, that number had dropped to 45 percent (<http://www.evolvedemployer.com/2010/01/06/employee-engagement-at-an-all-time-low-what-can-you-do/>). According to the consultancy BlessingWhite, only 29 percent of people are engaged with their jobs (<http://www.blessingwhite.com/research.asp>). The work that business offers just isn't fulfilling, so instead of being motivated to innovate, reinvent, reimagine, and outperform, most of us are dully uninspired, dispirited, frustrated, suffocated, and downright stymied.
- *Income.* Business is an engine of shared prosperity, right? A

rising tide that lifts all boats? Wrong. Median household income in America fell during the noughties, ending the decade lower than it began. As both UC Berkeley's Robert Reich and I have pointed out, real middle-class incomes have been falling since the mid-1970s. The average American has failed to earn a share of the productivity gains that have flowed from his or her work, and hence, in an economy of rising prices, going deeper and deeper into debt to maintain the same standard of living was the only option: one of the real root causes of America's ongoing credit crisis. Income inequality is blowing past even extreme Great Depression-era levels. The flipside? As Wharton economist Justin Wolfers has noted, "over four decades of economic growth hasn't reduced the proportion of Americans below an unchanging poverty line."

- *Net worth.* Wealth creation is supposed to be what the American economy excels at. Yet, perhaps the most striking feature of the great crash of the noughties wasn't just in terms of credit, but a deeper root cause: American household net worth has been stagnant for several decades.
- *Trust.* The only people less trusted than divorce lawyers and journalists? CEOs. Trust in corporations is low and has been dropping for decades. Though business spends billions on public relations, what it can't seem to build is relationships with the public.

Finally, consider the challenge of human suffering. The numbers are numbing. Twenty percent of the world's population—more than 1.5 billion people—is undernourished. Over 9 million people—5 million of them children—die every year from malnutrition.

More than 11 million children die every year from preventable diseases, like malaria and diarrhea. Half the world's population lives on less than \$2 a day. Over a billion people have no access to safe, fresh water. More than 2.4 billion people don't have access to the toilets you and I take for granted—adequate, hygienic sanitation. Three million people die every year from water-related diseases that could be prevented. There are 27 million slaves in the world.

Taken together, that's an astonishing set of indictments. They might *not* conclusively reduce the conventional wisdom about business to rubble, but they're enough to make me stop, shake my head, and ask myself, "if business as usual *can't* solve any of the above, then just what the heck is it good for?"

This is the beginning of a case against business. It suggests that, in the twenty-first century, the paradigm known as business is simply *not good enough*: not for people, not for society, not for the natural world, and not *even* for economies, shareholders, or prosperity itself.

So what went wrong with this gleaming, streamlined machine? As the old axiom goes, what gets measured gets managed. And as it turns out, we've been measuring the wrong things.

Chapter 3-Eudaimonia: A Better Path to Prosperity

Listen to what the great Simon Kuznets himself—1971 winner of the Nobel Prize in economics, the man who conceptualized and defined GDP and the architecture of America’s National Incomes and Products Accounts in the turbulent wake of the Great Depression—said pointedly to the U.S. Congress: “The welfare of a nation can scarcely be inferred from a measurement of national income.” The key word in Kuznets’s warning is “welfare”: the sheer volume of *output* an economy can produce, import, export, or finance, Kuznets is saying, sketches only the crudest outlines of literally how *well* human exchange causes people, communities, society, and future generations to fare.

Consider an analogy. The very first cars, born at the height of the industrial age, didn’t have speedometers, just rev counters. Why not? Because, the thinking went, what a driver would *really* want to know wasn’t how fast a car was going, but how hard and *whether* this newfangled combustion engine was working. The proud owner might consider himself lucky to have reached his destination at all.

That’s exactly the situation the global economy is in: we know the engine of human exchange is pumping, that we’re producing output and generating “product,” yet, we seem perpetually unsure whether we’re actually getting anywhere. We’re busy. But are we any better off?

If you take Kuznets's point, and bear in mind that since his day, GDP has been tweaked, but never *added* to, then here's the rub.

We don't *have* a working, generally accepted measure of real prosperity, just a gauge of industrial output. Hence, "business" can contribute to GDP, but quietly and chronically fail in terms that matter to humans, like jobs, fulfillment, trust, happiness, and so on. Our economic rev counter tells us how furiously the pistons of commerce are pumping, but we have no speedometer to tell us whether they're generating horsepower, the motive force that lifts people from penury to prosperity. Without one, the engine's roar might be merely so much sound and fury. As Robert F. Kennedy put it several decades later: "Gross National Product measures everything, in short, except that which makes life worthwhile."

What, then, *does* make life worthwhile? What, to use Kuznets's words, might the welfare, the faring well, of a nation be inferred from? If we were to build a speedometer for prosperity to sit beside the rev counter of product, what might its notches represent?

This question deserves a bit of reflection, so let's trace it back to its deepest roots. The ancient Greeks called a good life *eudaimonia*. Descended from the biggest big idea in history—Aristotle's notion that "the highest good" was the final end of all human endeavor—*eudaimonia*, the concept of a "good life," went on to become *the* fundamental design principle of ancient Greek civilization, the *raison d'être* for city states, gyms, schools, and politics.

But *eudaimonia* wasn't an easy, comfortable, materially rich life, but one that was authentically, *meaningfully* rich: rich with

relationships, ideas, emotion, health and vigor, recognition and contribution, passion and fulfillment, and great accomplishment and enduring achievement, exactly what “business,” “output,” and “product” seem so achingly deficient at producing. That conception of prosperity is very different than the one we know today.

Surprisingly—or perhaps unsurprisingly, if you consider what the eminent John Maynard Keynes called economics, “great fault of symbolic pseudo-mathematical methods,” or what his great rival Friedrich Hayek called its overly quantified, reductive “pretence of knowledge”—the ancient conception is the broader, deeper, more nuanced, and *richer* conception of richness. It seems to admit and embrace all that both a pragmatist and an idealist might want from a definition of prosperity.

Here then is my modern twist on eudaimonia, how I might put paid to the idea of “faring well.” A good life is about more than quantity of gross product, denominated in nominal income. It’s about *net real wealth*. And real wealth, in turn, consists of much more than mere money.

When a person is wealthy relationally in *social capital*, environmentally in *natural capital*, managerially in *organizational capital*, personally in *human capital*, emotionally in *emotional capital*, and intellectually in *intellectual capital*, he or she might be said to be authentically, broadly, and deeply rich. He or she is faring well, enjoying an authentic prosperity, a good life, and a life that matters because it resonates with meaning, accomplishment, and purpose. And if you doubt the worth of these kinds of capital, ask yourself, how meaningfully good would a life be that is financially