

VISION TALKS – The Story of Capitalism is Our Story

By Deepa Prahalad

Good afternoon, everyone. It is an honor and privilege to be here today. I am not sure that I am enough of a historian or businessperson to speak about the future of capitalism. In any case, it's difficult for me to separate my views from my personal experiences, because capitalism is truly the invisible hand that has shaped my life in many ways. I have seen some of its transformative power – for better and worse. So I would like to do is simply share my own story and why I believe that capitalism is worth saving and fighting for.

My family immigrated from India to the US when I was a baby, from a then-socialist system to a capitalist one. In our case, at least, money was not the primary motivator. The idea of making a contribution and being exposed to the latest thinking was the draw for my academic parents. Our move to the US required a great deal of financial hardship and uncertainty. It actually took several years in the US before we could replicate the lifestyle we had left behind, but I can't remember my parents ever mentioning this. What we heard about everyday was what was possible if we worked hard and tried our best. There was a single intangible but precious belief that made the bargain worthwhile – the belief that the system was fair. Our family has been exceptionally fortunate – we have been able to do fulfilling and meaningful work, be a part of great institutions and fulfill our material aspirations. However, my adult experience has been very different from that of my childhood. The assumptions that I held about what we could expect with hard work and a good education all have to be reconsidered.

Of course I know my generation has been very lucky. When we finished college, companies were ready to invest in our development. We got training and mentors and free food. We were perhaps oversold on what capitalism would do. With email and the power of the Internet in its infancy, we were taught that it didn't really matter who you were or where you lived. All that mattered was having a good idea and an Internet connection.

Almost everyone in my MBA class of 2000 graduated with a lucrative job offer (or several) in hand and the confidence that our investment in

ourselves would pay off. Most went to the top investment banks and consulting firms, and a few sought out promising start-ups. In less than eighteen months, both cliques received a rude awakening – the dot-com bubble burst and its ripples were felt by everyone. 9/11 followed soon after. Most of the international students lost their work visas and went back home. Others had to move in with their parents. Some new ventures lost funding without warning. Still others delayed getting married or starting their families amid the uncertainty.

It seems as though many of us were just re-grouping when the financial crisis hit, forcing us to re-invent ourselves once again. The expectations we grew up with were challenging, but they were clear. Nothing feels so certain anymore – but in an odd way this has created opportunities for us to build things better this time around.

When the dot-com bubble burst, even friends who were badly scarred financially quickly regrouped and began a new project - often new start-ups. There was disappointment, but not the anger against the system we see today. There would never have been support for an “Occupy Silicon Valley” movement. The winners were respected and many willingly worked for low or no pay with no guarantee of future rewards. The experience of those who fell short was nonetheless respected. That is not true of the financial crisis – and why the anger persists. So perhaps an important lesson is that makers are more easily forgiven than takers.

Those who were able to open new doors often did so not only because of their ideas, but because of their conduct. The people who were able to rebuild the fastest were not necessarily the proverbial fastest or strongest, but the ones trusted and liked by others. They were the ones who reached out for help and received it, who enjoyed the benefit of an introduction or a friend’s couch to crash on while they were interviewing for a new job. I think the same applies to business. Those who succeed will be the ones willing to struggle with the question of what’s fair. Apple had brilliant design, but it could only deliver the experience because it found a way to tap and compensate the efforts of hundreds of thousands of programmers. Muhammad Yunus did not change banking because he discovered a new mathematical theorem - he began with deep empathy. In the absence of established standards,

companies like Starbucks have tried to lay out a framework for ethical conduct. I remember thanking the doctor who treated my father shortly after he passed away. He shrugged and said, “one of the things you learn when you’re a doctor is that you can cure sometimes. But you can comfort always” That has stuck with me - I’m sure the management profession would do well to incorporate this lesson.

Capitalism, for all of its flaws, gives us choices. It is not a set of fixed rules that force a set of behaviors upon us, but a set of guidelines that we can innovate within. But all of us must do our part to preserve the principles of fair play. No company makes money every year and capital is fickle. Business can be an engine of growth and raise aspirations but it cannot singlehandedly deliver social justice. An abiding concern for fairness will make the difference between the companies and countries that create opportunities and the ones that create and attract opportunists.

Yet I remain optimistic. Perhaps the most unexpected – but refreshing change - is that my faith in capitalism is no longer tied only to my experience in America. Science tells us that a concept has validity only if it can be replicated. In my travels, I have seen even the most tentative, reluctant steps toward free markets unleash long dormant creativity and optimism. I remember early trips to India when I was a kid. I didn’t speak the language and I often felt like an observer because my experiences were so different from anyone outside our close circle of family and friends. The embrace of capitalism has changed that significantly. Cell phones and TV are not just “stuff” – they can change who we are. I still don’t speak the language, but I no longer feel isolated. What we believe to be possible is shaped profoundly by what we see, and business has the power to shape what we see and experience – for better or worse. Shared good and services lead to shared experiences. At least in my case, those shared experiences have enabled conversations that never would have been possible when I was younger.

I can lay no claim to a formula to make capitalism work better. It will certainly take the concerted effort of all of us and many others to bring about the shift that we desire. But in contemplating how to balance the short term and long term, orient priorities and stay true to our values, there is a simple, wonderfully clarifying question from my father that

rings in my ears – Who would be better off because of this work? I believe that clarity on this question can not only drive us toward ideas with greater impact, but give us the courage to face the inevitable challenges that arise.

The socialist system my parents left ultimately failed because it emphasized a false sense of “equality” and trampled too much potential and ambition in the process. But capitalism does the same thing when we focus too much on the outcome of wealth and neglect the process by which wealth is created. The problem may have less to do with capitalism itself and more to do with how we define wealth. For all of the positive changes I see today, I do think the previous generation got one thing right. Wealth is in our contribution, not our net worth. It explains the work of volunteers and parents and mentors. I have thought about this a lot over the past several days. What has brought all of us, from 33 different countries together today? What has been the common inspiration for so many of us, even though we may have disagreed with one another? What has bestowed a sense of pride and honor among every Austrian here? Why did so many people take time to reflect on their own lives and how they could be better? It is because of the tireless work and contribution of Peter Drucker. With a few exceptions, those of us here today have not met him or become experts on his work. Yet we were all able to recognize a voice that blends logic and compassion, helps us understand our present and future, assures us that we can act and reminds us that the way we do things matters. As we go forward, I am grateful that we had people like Peter Drucker to set the bar for capitalism so high.