

Policy Pennings by Dr. Daryll E. Ray

# Bill Gates on making capitalism even more creative

Whether one uses a Mac or a Windows based computer, one is undoubtedly familiar with the name Bill Gates. He is the guy behind Microsoft, the dominant player in the personal computing arena, developing both operating systems and software applications that people use every day.

His role as head of Microsoft has made him a multibillionaire. Capitalism and the market system have been kind to Bill Gates and he is a firm believer in its benefits. In recent years he has begun to make a shift toward the world of philanthropy. Today the Bill and Melinda Gates Foundation has assets of \$33.12 billion.

Gates recently (January 24, 2008) made a speech (<http://www.microsoft.com/presspass/exec/billg/speeches/2008/01-24WEFDavos.msp>) at the World economic Forum in Davos, Switzerland in which he called for the development of what he calls "creative capitalism."

While Gates proclaims to be an optimist and excited about the changes that technology has brought to the world, he is, at the same time, concerned. As he speaks about technological breakthroughs, he notes that the "breakthroughs change lives primarily where people can afford to buy them, only where there is economic demand, and economic demand is not the same as economic need.

"There are billions of people who need the great inventions of the computer age, and many more basic needs as well, but they have no way of expressing their needs in ways that matter to the market, so they go without.

"If we are going to have a chance of changing their lives, we need another level of innovation. Not just technology innovation, we need system innovation." That system innovation is the establishment of creative capitalism that recognizes that in addition to self-interest, people are also driven by the need to care for others.

Profits are the currency for the self-interested aspect of humanity, while recognition is the incentive for behavior that seeks to care for others. Gates notes that "profits are not always possible when business tries to serve the very poor. In such cases there needs to be another incentive, and that incentive is recognition. Recognition enhances a company's reputation and appeals to customers;

above all, it attracts good people to an organization. As such, recognition triggers a market-based reward for good behavior. In markets where profits are not possible, recognition is a proxy; where profits are possible, recognition is an added incentive."

Gates envisions the development of creative capitalism as "an approach where governments, businesses, and nonprofits work together to stretch the reach of market forces so that more people can make a profit, or gain recognition, doing work that eases the world's inequities."

To support his ideas, Gates uses Adam Smith, whose book "The Wealth of Nations" talks about the potential of self-interested behavior. But Gates looks beyond "The Wealth of Nations" to Smith's earlier book, "The Theory of Moral Sentiments" in which Smith writes, "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortunes of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it."

In his concern for the fortune of others, Gates calls for a "creative capitalism [that] matches business expertise with needs in the developing world to find markets that are already there, but are untapped. Sometimes market forces fail to make an impact in developing countries not because there's no demand, or even because money is lacking, but because we don't spend enough time studying the needs and requirements of that market."

That line brings us back to our central focus, which is agricultural policy. The first step in developing meaningful agricultural policy is to spend time understanding the needs, requirements and nature of the food and agricultural sector of the national and global economy.

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