

# Liberating the Entrepreneurial Spirit for Good

by John Mackey & Michael Strong

co-founders of FLOW



[www.flowidealism.org](http://www.flowidealism.org)

## Preface

This book, like FLOW's mission, is dedicated to liberating the entrepreneurial spirit for good; to inspiring entrepreneurial initiative to create sustainable peace, prosperity, happiness, and well-being for all, in our lifetime. It reflects our belief in the positive power of grounded idealism, and our recognition of an emerging movement, comprised of people who share a belief in humanity's ability to consciously create the future – a future where flourishing is commonplace, and opportunity is broadly distributed. We call this movement, FLOW.

We don't presume to have started the FLOW Movement, but we gave it a name and formed an organization to cultivate and call attention to it.

For more than a hundred years, most of the idealistic and well-intentioned people on earth have been hostile to free enterprise. Perhaps as a consequence, many of those who were most enthusiastic about free enterprise became increasingly alienated from the mission of doing good in the world. In the last several decades, it has become increasingly apparent that free enterprise is our last best hope for making a better world. The opposition between those who wish to create a better world and those who understand and advocate for free enterprise has become an obstacle to deeper progress.

Creativity, innovation, and entrepreneurship are the most powerful forces for change the world has ever known. And the healthy functioning of free markets, facilitating mutually beneficial voluntary exchange, has been a forum for connecting peoples and cultures, and for advancing science, technology, culture, and the global capacity to sustain human flourishing. We believe the positive entrepreneurial activity, within appropriate legal boundaries, can solve all the world's problems.

How can we liberate the forces of innovation, initiative, and voluntary exchange so that we can work together to create a better world for all?

FLOW provides a vision and framework for doing so, which are outlined in this book. We are greatly encouraged by the responses we have received to date to our invitations to dialogue and collaboration, and by the expanding myriad of living examples of FLOW vision in action we encounter every day.

A key aspect of the FLOW framework are the FLOW Principles, based in commitments to:

1. Cultivate human flourishing.
2. Practice non-violence and radical tolerance,
3. Embrace freely-chosen, mutually beneficial solutions, and
4. Criticize by creating!

We invite you to join us to catalyze and promote positive entrepreneurial activity to address the opportunities and challenges facing humanity. We also want you to work with us to develop appropriate legal framework, around the world, that will empower positive entrepreneurs to create their magic more quickly, more effectively, and more deeply.

We encourage you to participate in the emerging FLOW community and to engage with our outreach and education programs to deepen your understanding of FLOW ideas, to connect with and advance FLOW-related action, to meet others to collaborate with and advance your FLOW-related work, and to extend the invitation to FLOW to those you know who knowingly or unknowingly long to criticize by creating.

FLOW offers a vision, a network, a community, and public education and advocacy for those individuals who believe that entrepreneurial creativity is the most promising path to creating a better world. For those who wonder how their individual efforts might contribute to the solution of deeper problems, we offer a vision. For

those who seek like-minded partners to fulfill the goals of their enterprises, we offer a network. For those who seek like-minded partners for social and spiritual sustenance, we offer a community. And for those who wish that their entrepreneurial efforts for world betterment were better understood and supported by the public at large, we offer public education and awareness of entrepreneurial possibility.

The FLOW Movement is evolving, with increasing speed and scope as others add their ideas and energy. We present this book as an invitation to join the dialogue, exploration, and collaboration to advance a FLOW Vision of a better world built through conscious entrepreneurial initiative and through honest applications of the principles for economic freedom and free enterprise.

We welcome you to join us to *criticize by creating*, and be part of a like-minded community.

Towards sustainable peace, prosperity, happiness, and well-being for all,

Michael and John

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## Introduction

### **FLOW: Liberating the Entrepreneurial Spirit for Good**

*When we are motivated by goals that have deep meaning, by dreams that need completion, by pure love that needs expressing, then we truly live life.*

**Greg Anderson**

We believe that most people want to make the world a better place, to create a better life for themselves and their family, and to enjoy themselves while they do so. Moreover, we believe that despite all the negativity and hostility in the world, that we are not so far away from creating a world in which most people, most of the time, are living lives in which they are doing good, caring for themselves and others, and enjoying life while doing so. This book is a sketch of how to make such a vision a reality.

FLOW is an entrepreneur of meaning. The purpose of this book is to introduce you to a world view conceived to foster the creation of a world in which all of humanity is engaged in productive, purposive, meaningful lives that are a source of happiness and well-being for themselves and others: Lives of optimal experience, lives of flow. We invite you to collaborate in the evolution of the FLOW worldview and the co-creation of a world based upon it.

FLOW is bringing together two communities that have often been at odds with one another: On the one hand, is the community of people whose first priority is leading a meaningful life and making the world a better place. On the other hand, is the community of people who believe that entrepreneurship and the free enterprise system are among the greatest tools ever discovered for making the world a better place. We believe that it is time for these communities to learn from each other so that right intention is deeply integrated with a commitment to entrepreneurship and an understanding of the positive functioning of the free enterprise system.

FLOW is attracting people who want to make a better world: Who want to work together to create a world in which war has become obsolete, in which poverty has vanished, in which the natural world is flourishing through good stewardship, and in which each human generation leads more deeply fulfilling lives of happiness and well-being, than those preceding them.

The entrepreneurial spirit of our signature line, liberating the entrepreneurial spirit for good, is intended to be understood very broadly. It refers to the spirit of initiative, the spirit of enterprise creation, the spirit of criticizing by creating. We believe there are countless important tasks of spiritual entrepreneurship, artistic entrepreneurship, cultural entrepreneurship, philanthropic entrepreneurship, and more to be done. From our perspective, an entrepreneur is someone who perceives a problem to be solved, and an opportunity for solving it, and gets to work creating a voluntary enterprise that makes the world a better place.

We use “entrepreneur” and “social entrepreneur” almost interchangeably. Throughout we are committed to personal excellence, virtuous behavior, conscious capitalism, and mission-driven enterprise. Throughout we believe that organizations will have to earn revenue in order to be sustainable, and yet that the organizations we believe in are never

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driven strictly by price signals or the bottom line. From this purpose-driven perspective, as John says, for profits and non-profits share 98% of the same DNA. Much of our purpose is to create a united culture in which individuals are meaning-driven above all, and yet in which they also are realistic builders of successful enterprises. Success in the marketplace should be a reflection of authentic value delivered.

We should also note that we see our message regarding “liberating the entrepreneurial spirit for good” as applying to all individuals in all walks of life. While very few of us will create a Whole Foods Market or a Google, all of us can learn to be more entrepreneurial in our day-to-day initiatives. Working as a dishwasher in a small restaurant in college I spontaneously began helping the prep cook when there weren’t any dishes to wash. Eventually the owner saw that she didn’t need to have three people on duty when I was there because I could do both the job of a dishwasher and of a prep cook. When I left for Europe, she offered to double my salary if I stayed. The point of telling this is not to brag about my dish washing skills, but to point out that anyone, anywhere, can find a way to be more entrepreneurial.

Many tech-savvy young people are now going through periods in which they don’t have jobs. Instead, they are working on various projects that interest them. Some of those projects may bring in revenue, others may not. Some may not now but may later, others never will. The point is that there is an entirely new life path of simply doing what you love, earning enough to support yourself, but devoting yourself first and foremost to a meaningful life.

Ultimately, “liberating the entrepreneurial spirit for good” is about learning how to be yourself for a living: How to identify what your unique genius is, how to manifest that genius as a comparative advantage in a world of six billion and more, and then dedicate yourself to taking the initiative to be all that you can be in a life of meaning and joy, and make the world a better place in the process.

The expression “liberating the entrepreneurial spirit for good” is also a deliberate double entendre. Yes, we emphatically intend to support the liberation of entrepreneurial spirit in order to do good, to make the world a better place. We also want to liberate the entrepreneurial spirit permanently, to liberate the human spirit so that the endless process of enterprise creation can take place without unnecessary legal obstacles. We celebrate creativity, innovation, and entrepreneurship, and those legal structures that optimize the creation of enterprises that make the world a better place.

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## **Liberating the Entrepreneurial Spirit for Good - Through Composting!**

Jim McNelly became fascinated with composting in the 1970s. He began simply as an enthusiast who practiced composting, studying it, and later writing books and articles on it. He became an expert based on his love of composting.

Gradually he began composting for others, working with larger and larger clients to transform their organic wastes into superb soil supplements. As he worked with larger clients, he needed to solve numerous technical problems that had not been necessary to address on smaller scales. Eventually he created a patented technology for automatic industrial scale composting based on containers modified from the standard container ship unit. His composting containers now produce a super-enriched soil supplement from organic refuse automatically, without releasing significant gases during the process (uncontained composting can release ammonia, and methane during the decomposition process).

The resulting soil supplement has a sufficiently high nitrogen content in a “bio-available” form to outperform all commercial fertilizers and yet it almost certainly qualifies as “organic.” (Not quite yet because in order to get the nitrogen content up there he has to add a small proportion of non-organic nitrogen and this technique is under review by USDA).

Jim’s small company, with three full-time employees and various contractors, had its first profitable year last year. This year they expect to see explosive growth, with every year looking brighter beyond. Indeed, based on prospective size of the global market for his product, Jim is applying for the \$25 million Branson/Gore Carbon Sequestration Prize.

What? Composting could become the leading carbon sequestration technology of the 21st century? Well, maybe. The premise on which Jim makes his calculations is based on the global issue of soil depletion. Commercial farming techniques combined with erosion have depleted hundreds of millions of acres around the world. The application of commercial chemical fertilizer is running into decreasingly marginal returns in many places. If he can produce high-nitrogen compost that outperforms chemical fertilizer at a lower price, suddenly it becomes profitable for farmers around the world to buy his high-nitrogen compost rather than chemical fertilizer, with the added advantage that applying it each year enriches the soil rather than depletes it. Strictly as a by-product, this massive scale composting would sequester many hundreds of billions of tons of carbon by plowing it back into the earth as a component of this super-soil. And it would eliminate trillions of tons of rotting organic matter from landfills and other stockpiles where large stockpiles of plant matter generate fugitive methane, another significant carbon-based (CH<sub>4</sub>) greenhouse gas (indeed, some scientists consider the methane issue to be more serious than the CO<sub>2</sub> issue). Finally, “nutrient pollution,” much of which stems from fertilizer run-off, is the single largest water pollution issue on the planet - and stabilized nitrogen-rich composted soil, tilled into the ground, results in a tiny fraction of the nutrient run-off as compared to chemical fertilizers.

Will all of this happen? We don’t know. Right now, McNelly’s market is relatively small because the up-front cost of his composting containers is high. At present, they are primarily used in places where there are advocates for industrial scale composting, or where sensitive aquifers place strict limitations on the run-off from chemical fertilizers. But as with all product innovation cycles, as his market grows his company will produce a higher quality product for a lower price. How to accelerate this process?

Peter Barnes advocates environmental trusts as a solution to environmental problems. Environmental trusts are private entities with a legal obligation to steward specific environmental assets (more on these later). With a river trust, for instance, rivershed trustees would be responsible for protecting the integrity of the river’s water quality. At present, there are rivers where bass fishermen protect the water by suing upstream polluters - it turns out that bass fishermen are a large, well-organized, aggressive constituency who want the rivers clean and full of bass. A river trust would engage in similar protections of the river regardless of the particular species of fish in the river. If fertilizer run-offs were polluting the river, the trusts would sue either the farmers or the fertilizer companies for letting the run-off contaminate the stream. Merely the threat of such a lawsuit would make less toxic fertilizers a better investment for the farmers or fertilizer companies. Thus if river trusts were created, they could impose a sufficiently higher cost on farmers and/or fertilizer companies so that Jim’s composting containers would obtain a large commercial market.

Other paths to scalability are also possible: As soils become more thoroughly depleted and as Jim’s nitrogen-rich compost becomes better known, direct market demand from farmers could stimulate growth. Or if Jim is able to modify the chemical component so that his compost qualifies as “organic” under U.S. law, demand will increase. Or perhaps Jim’s existing produce will be considered “organic” in some country even though it may not yet meet U.S. standards. The rate at which demand for his product will grow depends on numerous variables, including the cost of his inputs, the interest rate, the cost specified by landfills for accepting organic refuse, the cost of competitor’s products, etc. If Jim’s company is producing millions of composting containers, it will be a very profitable company and he will become a very rich man. But at no point was money ever the purpose of his work. He is just a hippy geek who loves compost.

The primary reason for telling this parable is not the ultimate fate of Jim’s business. It is, instead, to show one of millions of means by which entrepreneurial creation will ease our growth pains.

Jim’s story is interesting because it is unexpected and far-reaching – who would have imagined that composting could do so much? We might well find ourselves in a world some years hence, with 8 billion people all enjoying a U.S. standard of living, but with less air pollution, less water pollution, richer soils, and a healthier environment than we have today.

## Design of Liberating the Entrepreneurial Spirit for Good

*“Do not fail to learn from the pure voice of an ever-flowing mountain stream splashing over the rocks.”*

**Morihei Ueshiba, founder of Aikido**

The book consists of six sections:

Introductions: The Source of FLOW

Vision: The Direction of FLOW

Ideals: Focusing FLOW

Conscious Capitalism: Changing the Course of the Mainstream

Making the World a Better Place through Entrepreneurship and Markets

Action: Finding Your Place in FLOW

Following this introductory section, which sketches the content of The FLOW Papers, we will briefly tell the story of Muhammad Yunus and Grameen Bank. Then John will provide an autobiographical introduction, followed by a brief story of Whole Foods Market, and Michael will provide an autobiographical introduction followed by a brief story of the innovative schools he has created.

The remaining five sections are sketched below.

### Vision: The Direction of FLOW

*“Your time is limited, so don’t waste it living someone else’s life. Don’t be trapped by dogma - which is living with the results of other people’s thinking. Don’t let the noise of other’s opinions drown out your own inner voice. And most important, have the courage to follow your heart and intuition. They somehow already know what you truly want to become. Everything else is secondary.”*

**Steve Jobs**

We live in exciting times. While challenges and serious concerns abound, the opportunities and positive developments are extraordinary. More people, and a higher percentage of the world’s population, are escaping poverty than ever before in history. Fewer people are dying in fewer wars than has been the case for most of the past hundred years. Most people in the developed world live in a world of abundance. In the developed world, for the most part the natural environment is cleaner and healthier than it was fifty years ago, despite the fact that we now use far more resources to support far more people at a much higher standard of living. While our energy sources systems and thousands of other aspects of our lives are likely to change, there is every reason to expect that there are enough resources so that the entire population of the planet can live comfortable, happy lives before the end of the century.

Moreover, a significant portion of our population is actively engaged in doing good. Many of the fastest growing companies, and the most desirable corporations to work for, are explicitly devoted to doing good: Google, Whole Foods Market, eBay, Southwest Airlines, and Toyota are all amazing large corporations, and they are just the tip of the iceberg. If corporations want to succeed in the 21st century marketplace, they must satisfy demanding customers, employees, and investors that they are, in fact,

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honorable companies. There are numerous indicators that this movement is growing, as documented in Patricia Aburdene's book *Megatrends 2010: The Rise of Conscious Capitalism*.

Daniel Pink, in *A Whole New Mind*, makes a compelling case that the growth industries in the 21st century economy in the developed world will be based around the production of goods and services into which meaning, beauty, empathy, and other "soft" values are integrated. In the developed world, there is a thriving "Green" consumer sector. But Pink also points to the ubiquity of design: from the elegant Apple iPod to the fact that Wal-mart carries "designer" toilet bowl brushes. BMW has engineers who specialize in the acoustic experience of driving a BMW. There are professionals with business cards that read "Cultural Strategist" and "Organizational Storyteller." The world of meaning, design, and aesthetics will generate enormous new industries in the 21st century, as all of the old "mechanical" and commodity based industries, based strictly on price criteria, fall prey to competitors who are ahead of the curve in the meaning dimension of their products and services. Many of the great entrepreneurs of the 21st century will be entrepreneurs who create exceptional enterprises based on enterprises that are pre-eminent producers of beauty and grace, culture and experience, happiness and well-being.

Meanwhile, from another direction, it is noteworthy that in 2006, for the first time, the Nobel Peace Prize went to a for-profit organization, Grameen Bank, founded by Muhammad Yunus. Grameen Bank has been the leader in the global microfinance movement, through which tens of millions of impoverished women have received micro-loans that allow them to engage in entrepreneurial activity. In 1968, John Kenneth Gailbraith expected that the age of the entrepreneur was over. Shortly thereafter, Yunus began giving tiny loans to women to purchase chickens, bicycles, scales, and other capital goods to empower them to launch their own businesses. The age of microentrepreneurship was launched even as expert observers had come to believe that the entrepreneurial role was obsolete.

Anyone can be an entrepreneur now. In the 70s, as Marxist theorists were discussing the final days of "late capitalism," Steve Jobs and Steve Wozniak were creating Apple Computers, Bill Gates and Paul Allen were creating Microsoft, and thousands of other high school and college drop outs were creating thousands of other companies that resulted in the technology revolution of the last thirty years. Because of their efforts, I can now develop entrepreneurial projects with individuals in Sri Lanka, Uganda, Romania, and Nepal in twenty-four hours. Using the Internet, we can all work together immediately. Sugata Mitra's "Hole in the Wall" project has shown that illiterate, uneducated ghetto children in Delhi can learn to use the internet on their own in the course of days, with no outside guidance or instruction whatsoever, and immediately engage with the enormous world of the web. Those of us who want to help others develop their own projects already face an endless sea of opportunity for helping the world's poor improve their lives (we'll include some concrete suggestions on how to get started, if this is your path, in the final section of this book).

Meanwhile, the astounding success of Wikipedia reveals an unlimited appetite for openly and freely producing and sharing information. The Open Source software movement demonstrates that even very high quality software can be produced collaboratively, for free. MIT is in the process of putting its entire curriculum on-line for free. And with the \$100 laptop and broadband costs collapsing around the world, millions of new people are getting plugged into the global economy and the universe of global knowledge faster than ever before. Brafman and Beckstrom document the "unstoppable power of leaderless

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organizations” in *The Starfish and the Spider*; as eBay becomes one of the largest economies on earth.

This is the context in which truly extraordinary flows of goods, services, capital, people, and knowledge are taking place. We can no longer afford to be parochial or to support parochialisms anywhere. The World is Flat, in Thomas Friedman’s sense. The markets of the future will demand a *Whole New Mind*, in Daniel Pink’s sense. And soon we will all be engaged in “Social Business,” in Muhammad Yunus’ sense of business engaged in a social purpose. Yes, there are serious concerns regarding climate change, AIDS, terrorism, and more. And with all problems, optimism combined with realism will empower us to be more effective at solving those problems than is pessimism, anger, or despair.

This is the context in which FLOW takes place. The first section will add flesh to these bones, extending our vision well beyond the wonderful events already taking place. I’ll provide a FLOW vision for the 21st century. John will discuss the importance of optimism and positivity in showing the world why free institutions are important to the creation of happiness and well-being. And then I’ll expand on the nature of those free institutions and how they allow the entrepreneurial spirit to create. I’ll close with a concise statement of FLOW principles.

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## **Liberating the Entrepreneurial Spirit for Good - As a Teenager!**

Laima Tazmin, president of LAVT LLC, a Web consulting company based in a ramshackle prewar upper Manhattan building, is laying out her vision for the company's expansion into customizing computers and developing community-based online businesses. Tazmin's office is efficiently sparse, all her papers are properly filed, and her workspace is ordered and symmetrical, down to the dueling computer terminals that allow her to work side-by-side with an assistant, who scours Internet boards for new markets. It's a lean, effective operation, considerably more advanced and potentially more lucrative than the typical entrepreneurs of Laima's lot.

That lot would be babysitters, lawn mowers, paper routers, and burger flippers. Laima Tazmin is a 15-year-old freshman. The assistant is her mom, Lora.

"Laima is the top kid I have personally ever worked with, and that's out of 9,000," says Steve Mariotti, founder and president of the National Foundation for Teaching Entrepreneurship (NFTE). "I've never met a kid like that." It was an NFTE instructor who introduced Laima, who was then in sixth grade (she was thoroughly self-taught in HTML by that point), to the world of small business. "He taught us we could turn our interests and hobbies into ideas for companies," says Tazmin. She parlayed her love of computers into a business plan that initially won a regional competition and then, after a bit of tweaking, bested plans from high school and college-age kids to win her the "Young Entrepreneur" contest sponsored by Fleet Bank. That netted her both \$2,500 and a taste of media exposure.

Money doesn't seem to be the force behind Tazmin's march toward the wunderkind hall of fame. Rather she has a sincere desire to build a viable company that can more or less sustain itself when she hits some lucky college campus in 2007. Essentially, she sees herself setting up a "network of associates" (other college kids) to do her grunt work. To that end, she has burned through every program NFTE offers and is now the guinea pig in an "Executive Incubator" that offers Deutsche Bank director Joe Carvin as a mentor. "Laima has the technical skills, creative ability, and seriousness of purpose," says Carvin, "and she's in an industry where young people can have a competitive advantage."

To think she took her baby steps toward becoming a mogul on Communist soil. Laima was born in Cuba, the daughter of a Russian mother and a Cuban father who left the family portrait years ago. Lora brought Laima and her older brother Arlin, who is now 26, to the United States via the Soviet Union in 1995.

It's the American dream played out with a tinge of adolescent angst, or it would be if Laima weren't so preternaturally calm. On top of her quiet confidence, Laima has incorporated Buddhist meditation into her daily routine, which explains her Taoish nuggets like "Failure is a step to success." She is the polar opposite of the high-strung, ready-to-snap-and-go-ballistic type A's who water the lawns of prep schools with their tears over a B-plus. She is a sunny, charming, well-adjusted young girl who just happens to have a copy of the *Idiot's Guide to Making Millions on the Internet* on the same bookshelf as the latest Harry Potter, a Shrek DVD, and Hello Kitty memorabilia.

"I find Laima to be extraordinarily poised beyond her years," says Tom Phillips, one of her (10, at the moment) clients, who owns a communications consulting firm and hired her to give him a Web presence. "Her work is great." The accolades pour in from all corners, including her fellow students, who recently voted her class president, just another application-builder in her heavily scheduled young life, which is filled with: studying; shaking it as a member of the school's hip-hop dance team; hardwiring desktops; playing tennis and basketball; volunteering for a cyber-project that lets war veterans tell their stories digitally; speaking on behalf of NFTE; writing a novel; and oh, yes, running a successful business.

If she seems too good to be true, remember that teenagers have a way of defying expectations. So maybe she won't become Bill Gates, but she'll definitely be Laima Tazmin. "I want to direct my own life," she says with a knowing grin. "Entrepreneurship is about planning for the future, and I want to develop my creativity to have freedom. I want to grow myself."—Patrick J. Sauer  
<http://www.inc.com/magazine/20040401/25tazmin.html>

## Ideals: Focusing FLOW

*As human beings we all want to be happy and free from misery, we have learned that the key to happiness is inner peace. The greatest obstacles to inner peace are disturbing emotions such as anger, attachment, fear and suspicion, while love and compassion and a sense of universal responsibility are the sources of peace and happiness.*

### Dalai Lama

Many people are interested in making the world a better place, but may not have a clear focus internally on who they need to be to contribute to making the world a better place. Some people get caught up in mainstream norms of wealth, status, and ostentation simply because they are not clearly aware of other alternatives.

As long as people do not initiate violence, are tolerant of the ways of living of others, and are somehow supporting human flourishing, we believe they should be able to pursue their own ideals and convictions. That said, there are some people for whom traditional religious beliefs are no longer satisfying and who are seeking other types of ideals and ways of giving their lives meaning.

Making the world a better place is fundamental to our meaning systems. How, exactly, each of us may contribute might lead us to pursuing various intellectual, emotional, physical, and spiritual virtues.

We start with a piece by John on ideals of personal excellence. We want to guide, to create a public conversation around ideals of personal excellence. Clearly the old notion of “Whoever dies with the most toys wins” is an absurd and uninspiring notion of personal excellence. But a life of spiritual isolation is also not an appropriate foundation for a life of entrepreneurial creativity. What are some directions in which we might want to develop ourselves?

We live in a culture that some of us find antagonistic to the development of personal excellence. As much as we may commit ourselves to lives of personal focus and self-discipline, realistically it is easier to be our best selves in community, in a culture in which our virtues are supported and not undermined. How can we go about creating our own sub-cultures in which our virtues are supported? How can we support others in their pursuit of their virtues? I introduce these themes.

John then introduces a series of maps of moral development and cultural change. Many people find it useful to observe patterns of development and change, to see how their personal journey might fit into larger patterns.

To support a growing community of people who embrace FLOW principles we articulate an Ethos of Interaction, to support us to overcome our differences. Given that we are different beings, and we accept and acknowledge our differences, we aim to propagate an Ethos of Interaction that includes:

- Transparency and openness in communications
- Respect and consideration for others
- Truthfulness
- Humility

We believe it is important to engage in dialogue with serious partners based on these principles. Jeff Klein will elaborate on this Ethos.

## **Eckhart Tolle, The Power of Now**

Eckhart Tolle was a research scholar at Cambridge when, at the age of 29, “a profound spiritual transformation virtually dissolved his old identity and radically changed the course of his life.” He subsequently wrote *The Power of Now*, a short, simple book, which became a word of mouth best-seller with over two million copies sold.

Opinions of the book vary widely; *O: The Oprah Magazine* says, “It can transform your thinking . . . The result? More joy, right now!” *Time Magazine*, on the other hand, describes it as “mumbo jumbo.”

Tolle is an excellent example of a spiritual entrepreneur. He was, and is, not interested in money – he left a traditional path towards what is normally considered a “good life” as an academic researcher and spent years with no almost no possessions at all. But Tolle is also not some bizarre, esoteric spiritual guru, either. Many of Tolle’s insights are extremely simple, but not often practiced.

For instance, a primary theme of his book is simply that most of us spend the bulk of our time either worrying about the past or worrying about the future. He points out that we need not spend our time anxious and worried. We can, instead, choose simply to detach from our ego-mind and experience the present moment, the “Now.”

All of us have had spontaneous moments in which we were so struck by the freshness and beauty of a cloud, a mountain, a rainbow, or some other natural phenomenon that for a moment we were simply witnessing, without ego-awareness. For many of us, we may have to think back to childhood to recall distantly the experience of such moments because we have become so habituated to the business of life that we no longer are struck so spontaneously by natural beauty that we “forget ourselves.”

Tolle reminds us not only of these natural, spontaneous states of being, but he also provides us with ways to escape our egos to experience a similarly peaceful state of awareness any time, anywhere. Although using such language as “escaping egos” may be a case of the “mumbo jumbo” referred to by *Time*, Tolle makes a compelling case that many writers in traditional philosophical and religious traditions often pointed to a similar source of inner peace.

For instance, Tolle writes, “Many people are in love with their life drama. Their story is their identity. The ego runs their life. They have their whole sense invested in it.” His advice, to escape the anxious ego drama to which many of us are addicted, is similar to that given by the Stoic philosopher and Roman emperor Marcus Aurelius nearly two thousand years ago, “Accept whatever comes to you woven in the pattern of your destiny, for what could more aptly fit your needs?” Neither Tolle nor Aurelius are claiming that we should not use our minds to solve problems, both to improve our own lives and those of others. Their message is consistently that we should not allow the thought processes needed to solve problems become addictive emotional states that destroy happiness and well-being.

It turns out that escape from ego, and developing the ability to be at peace in the present moment, requires some practice for most people. Tolle’s message, along with that of many Greek and Roman philosophers, Christians, Sufis, Buddhists, and others is that we can take responsibility for our personal happiness by means of disciplining our minds and transcending our egos. Buddhist meditation, Christian Centering Prayer, Sufi Prayer, Taoist Tai Chi, and Kundalini Yoga are but a few of the many means by which we may train ourselves to escape from ego neediness and pain, and from the countless subtle anxieties about the world of which we are often barely aware.

Much human misery, both self-inflicted and harm inflicted on others, is caused by acting from the neediness of the ego. Whatever sources are helpful to you in escaping from the self-imposed pain caused by your ego, we encourage developing some kind of personal practice that empowers you to be free from emotional pain or neediness whenever you please, and to support the cultivation of such practices in others.

## Conscious Capitalism: Changing the Course of the Mainstream

*To extend our love and care beyond our narrow self-interest is antithetical to neither our human nature nor our financial success. Rather, it leads to the further fulfillment of both. Why do we not encourage this in our theories of business and economics? Why do we restrict our theories to such a pessimistic and crabby view of human nature? What are we afraid of?*

**John Mackey**

Because we believe that enterprises are the most powerful institutions for making the world a better place, we then present a sketch of the leadership principles associated with “Conscious Capitalism,” in John Mackey’s language, or “Social Business,” in Muhammad Yunus’, to refer to a similar ideal. In John’s language, we must learn to use the price system as a guide, not as a god, to combine the visible hand of love with the invisible hand of the market.

Patricia Aburdene provides a sketch of the growing wave of Conscious Capitalism, what it is, why it’s growing, how its growing, and how fast it is growing. The growing wave of “cultural creatives,” who seek to work, invest, and purchase from conscious companies, is a well-documented, growing demographic. An increasing number of companies will need to be meaning-driven to succeed.

David Wolfe then sketches the workings of the “purpose-driven company” to show how leaders are incorporating a higher purpose deeply into the DNA of their corporate operations.

John Mackey then sketches his model of Conscious Capitalism, how he sees capitalists having a purpose of making the world a better place much as doctors, lawyers, and teachers have traditionally done. He places purpose and meaning first, and shows how that results in more successful corporate performance while creating meaning-driven organization in which all shareholders benefit.

Fred Kofman applies a more personal interpretation of “Conscious Business,” showing the fundamental human-to-human building blocks of conscious behavior in the workplace.

Our goal is to show that there is a rich set of approaches to the concept of conscious capitalism, and that it is very much in the midst of being developed.

### **Costco...Because who knew a big-box chain could have a generous soul?**

Costco’s warehouse stores offer neither shopping bags nor brand loyalty – the Gladware for sale one week might be replaced by Tupperware the next, depending on which vendor offered the best deal. Yet Jim Sinegal, 69, who started Costco in 1983, is anything but frugal in dealing with employees. Wages start at \$10 an hour, and more than half of his U.S. employees earn the top pay of \$18.32 an hour. Costco also covers 94% of health care costs for both full- and part-timers, and donates an amount equal to 3% to 9% of employees’ pay to their 401(k)s. As a result, the company has little turnover – an astoundingly low 5.5% for workers who have been with Costco for a year or more.

“These guys have bucked Wall Street as far as taking care of their employees, yet their return last year was pretty darn good,” says Patricia Edwards, managing director of Wentworth Hauser and Violich, a San Francisco investment firm that owns 785,000 shares. Darn good indeed. Costco’s 450 stores had sales of \$47.15 billion for fiscal 2004. In 2003, Costco’s sales topped sales at Wal-Mart’s Sam’s Club by 21%, even though Sam’s had 28% more stores. Costco stock was up 34% for calendar 2004; Wal-Mart’s stayed about even.

Even in years when Costco wasn’t posting stellar profits, Sinegal has refused to cut labor costs significantly. When you see how well Costco balances the interests of employees and investors, you wonder why more executives haven’t followed his lead. <http://www.inc.com/magazine/20050401/26-sinegal.html>

## **Making the World a Better Place through Entrepreneurship and Markets**

*I submit that the Golden Rule won't work as an organizing principle for a commercial society because human beings are not omniscient. We simply do not know enough and could never know enough to organize social life in a commercial society on the basis of the Golden Rule. . . . the Golden Rule could not effectively organize a commercial society even if every single individual in the society were like St. Francis of Assisi.*

**Paul Heyne**

While liberating the entrepreneurial spirit is good, while being oneself for a living is good, and while Conscious Capitalism is good, what about the very serious problems facing the world? What about poverty, war, and environmental degradation? What about crime and homelessness in the developed world? How can entrepreneurial creativity alleviate these problems? Is “being good” good enough?

Looked at from another direction, are there limits to what Conscious Capitalism and Entrepreneurs for the Good can achieve, or not? If there are such limits, how can we change the policy environment so that more good can be done more quickly and so that seemingly intractable problems may be solved? Can we design and create a world in which all problems may be solved entrepreneurially?

Ideally we want to create a world in which those individuals and organizations that are adding the most authentic value to the world are rewarded with the most revenue, so that they have the power to take advantage of new opportunities to do more good by adding more authentic value. Conversely, we want to create a world in which those individuals and organizations that are harming human beings and the environment are not rewarded for doing so; ideally no one would be rewarded for harming human beings, and other than occasional accidents, all financially sustainable organizations would make life better for people and for the planet.

At present, even though there are clearly niches in which Conscious Individuals and Conscious Capitalists can succeed, aren't there also many niches in which not merely unconscious individuals and capitalists, but actively evil individuals and capitalists are also succeeding? How can we change the rules of the game so that we create an operating system for capitalism in which we ever more closely approximate a world in which only those who make positive contributions succeed in the world?

At the same time, we want to make the world a better place; we want to create sustainable peace, prosperity, happiness, and well-being for all. How do we create an operating system for conscious capitalism that will allow “the good guys to win” more consistently? More significantly, how do we create an operating system for capitalism that will lead to sustainable peace, prosperity, happiness and well-being for all?

The first issue to be addressed is the creation of a new operating system for capitalism in order to ensure environmental sustainability; our presentation here is guided largely by the work of Peter Barnes, and we include an excerpt from his work. Barnes deserves credit for creating the concept of a new “operating system” for capitalism based on environmental trusts.

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We then turn to the ways in which entrepreneurial capitalism can be used to promote “Peace through Commerce” and prosperity for all. There is a rich literature suggesting ways in which economic freedom and economic growth support peace and reduce violence. We will explain the importance of economic freedom and how it reduces conflict and then add to it by proposing ways in which conscious capitalists and entrepreneurs for the good can accelerate the creation of a foundation for lasting peace and prosperity for all.

An increasingly common criticism of capitalism is that while it may produce material prosperity, it does not produce happiness and well-being. Is that a necessary outcome? How can we liberate entrepreneurs of happiness and well-being so that they can produce more happiness and well-being more quickly? Here we will start with education and health care and quickly move into the concept of cultural entrepreneurs who create entire new ways of life designed to improve human well-being ever more deeply.

Finally, as we celebrate a globalized economy, led by Conscious Capitalists, within an environmentally sustainable new operating system, what about the poor in the developed world? How do we ensure that they will have positive lives of flow?

One of the paradoxes that we must address is that innovation is key to making the world a better place, and yet innovation requires freedom. Just as free speech necessarily allows negative speech as well as positive speech, the freedom to innovate will require freedom to act both negatively and positively. We will suggest ways to think about an operating system for conscious capitalism that integrates protection for the environment with the freedom to create new and better ways of living. Our belief in the power of creativity, innovation, and entrepreneurship to transform the world will bring a libertarian, or classical liberal, flavor to many of our solutions.

The extent to which our direction may be described as libertarian is strictly practical; entrepreneurial solutions work faster and better, whenever possible, than government logjams and centralized, bureaucratic control. Moreover, government “solutions” usually involve creating a frozen, self-interested constituency that prevents urgently needed change later on. The humane protections to farmers in the 1930s have become the obscene agricultural subsidies today. Timber and mining subsidies, likewise originally justified as humane interventions to help struggling industries many decades ago, have now become multi-billion dollar subsidies by the government to damage the environment and inhibit investment in innovation. Green Mountain Energy, the largest clean energy retailer in the U.S., finds Texas the most hospitable state in which to do business because Texas has the least regulated electricity market. In all other states the electricity regulators favor the existing utility companies through a host of pricing and regulatory strategies.

For more than a hundred years, most progressives have reflexively argued against “free markets” and for government control. In hundreds of ways this is now changing:

- The global poverty alleviation NGO Oxfam now lobbies to reduce trade barriers in the developed world order to alleviate global poverty.
- Progressive Peter Barnes’ concept of environmental trusts is an innovative private sector solution to secure sustainable environmental stewardship.

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- Amory Lovins' Rocky Mountain Institute argues for a real "free market" in energy, that includes the full cost of oil and gas, because he believes that such a free market would make many innovative energy conservation measures profitable. Republican Secretary of State George Shultz wrote the foreword to Lovins' most recent book.
- Worldwatch Institute's David Malin Roodman, in his *The Natural Wealth of Nations: Harnessing the Market for the Environment*, documents the hundreds of environmentally harmful subsidies and regulations, some of which were mentioned above.
- Progressive educator and twice-named New York State Teacher of the Year John Taylor Gatto is a signatory of the Alliance for the Separation of School and State, an organization that wants to eliminate all government involvement in education.
- Progressive educator Larry Rosenstock, founder of the celebrated High Tech High charter school in San Diego, is now struggling against the public school establishment as he seeks to replicate his charter schools in working class neighborhoods.
- Lifelong Democratic economist William Easterly wrote a book criticizing foreign aid while at the World Bank and was fired for doing so.
- Fellow Democratic World Bank economists Dennis Whittle and Mari Kuraishi left the World Bank to found Global Giving, a private philanthropy, because they were convinced that private philanthropy could do more good than the foreign aid given by the World Bank.
- Organic farmer Joel Salatin has written an article titled "Everything I Want to Do Is Illegal," showing how health and safety regulations prevent him from having an organic teaching farm where he could train the next generation of young people in his deep natural farming techniques.
- Alternative health care practitioners, including midwives, herbalists, chiropractors, and more are constantly under siege by the mainstream medical establishment.

These are but a small glimpse of the thousands of ways in which traditional "free market" principles are being adopted, knowingly or unknowingly, but individuals and organizations that have traditionally identified themselves as "progressive" or "leftist." We believe it is time for progressives to look deeply at many long-standing prejudices against market thinking and be willing to re-think fundamental perspectives for the sake of creating sustainable peace, prosperity, happiness, and well-being for all.

# liberating the entrepreneurial spirit for good

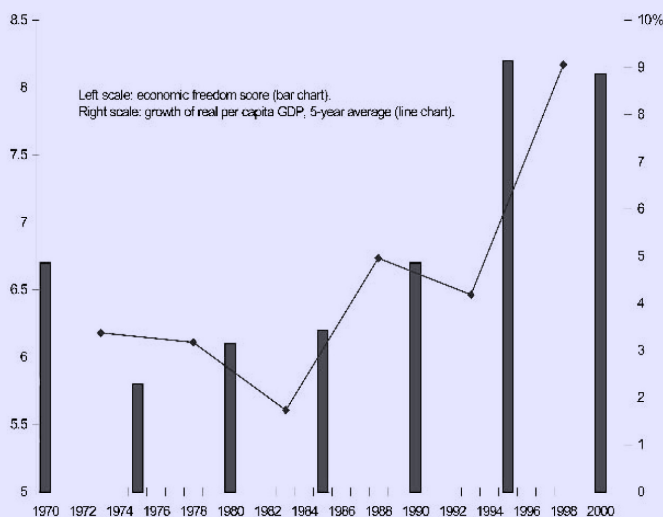
## How Free Markets Brought Peace to Northern Ireland

Fifteen years ago, Ireland was one of the poorest countries in the EU; it is now one of the richest countries, per capita, in the EU and the fourth richest country per capita in the world. This amazing economic growth in Ireland has simultaneously reduced violence in northern Ireland, the most violent region of northern Europe for the past forty years. Since the mid 1990s the IRA has observed a ceasefire, and in 2005 they declared an end to their campaign. Although negotiators and leaders deserve credit for stopping the violence, so does the miraculous rate of economic growth. The miraculous rate of economic growth was caused by steady increases in economic freedom.

Source: Benjamin Powell, "Economic Freedom and Growth: The Case of the Celtic Tiger," Cato Journal, Vol. 22, No. 3

In 1986, unemployment in northern Ireland was 17.6%. Today, it is 4.5%, one of the lowest unemployment rates in all of Europe. Although it is true that poverty does not cause violence, and that the vast majority

IRELAND'S ECONOMIC FREEDOM SCORE AND GROWTH RATE



of poor people are non-violent, chronic unemployment and poverty provide recruiting grounds for those who wish to address other grievances violently. Desperate, angry, marginalized young men with nothing to lose are more likely to try to regain their dignity and seek revenge through battle and bombings.

Can the Irish success story be repeated around the world? Gracia Burnham, an American missionary who spent 377 days in captivity with Abu Sayyaf, an Al-Qaeda-related terrorist group in the Philippines, said of the terrorists she knew so intimately:

So many of the kids weren't bent on jihad . . . [in a world of extreme poverty, Abu Sayyaf was] . . . a career move. . . whether they were bent on jihad or not, all those guys wanted was to die in a gun battle so they could bypass the judgment of God and go straight to paradise. If they couldn't die in jihad, their next choice was to go to America and get a good job. (as quoted in Eliza Griswold, "The Believers," The New Republic, June 4, 2007)

Hope, and the opportunity to create a better life for oneself and one's family, is a universal aspiration.

Both the terrorists of the Irish Republican Army of the past hundred years, as well as the Islamic terrorists that frighten so many people today, are mostly young people who want opportunity and respect and want their peoples to have opportunity and respect. There will always be ideologues and individuals full of hate, but in a world of opportunity and respect for all those hate-filled individuals will be marginalized and dangerous loners rather than heroic leaders of terrorist movements.

Recent work by Erik Gartzke shows that economic freedom, as defined by the Fraser Index of Economic Freedom of the World (EFW), is fifty times more effective than democracy at reducing violent conflict. As Montesquieu said two hundred and fifty years ago, "Peace is the natural effect of trade."

## FLOW Action

*“I had to make my own living and my own opportunity! But I made it! Don't sit down and wait for the opportunities to come. Get up and make them!”*

**Madam C.J. Walker, America's first black female millionaire**

What to do now? We close by describing how you can participate in FLOW, on-line, in your communities, and through your existing organizations. We provide a specific description of how to create a FLOW Activation Circle so that you can begin a community based on these principles in your town or on your campus. We will also provide many resources to get you started, both from FLOW the organization and from elsewhere.

A recurring theme throughout this book is that entrepreneurs identify possibilities in situations in which no one had believed that possibilities existed. In particular, there will be many thousands of academic experts in diverse areas of academic expertise who believe that FLOW's proposal to solving world problems through entrepreneurship is impossible. It is very important to understand that, at any give point in time, those academics who claim that entrepreneurial solutions are impossible always have the facts on their side. There was no evidence whatsoever in 1974 that illiterate peasant women could pay back hundreds of millions of dollars in loans by working in groups of five and making sixteen commitments together. As with many entrepreneurial visions, there was no evidence whatsoever that Grameen Bank would work, less alone inspire a model of microfinance that would reach more than 100 million women around the world.

Imagine the reaction among the world's leading academic experts if Yunus had gone to them for support of his project in 1974. At the time, academic beliefs regarding poverty alleviation were divided between Marxists, who believed that communist revolutions were the only credible solution to poverty alleviation, and development experts who believed that a “Big Push” through massive foreign aid was the best strategy. Yunus' beliefs concerning poverty alleviation would have been regarded as reactionary and evil:

“Grameen believes that charity is not an answer to poverty. It only helps poverty to continue. It creates dependency and takes away individual's initiative to break through the wall of poverty. Unleashing of energy and creativity in each human being is the answer to poverty.”

Since that time, communism has been thoroughly discredited and Big Push-style foreign aid has largely been discredited. It has turned out that arguably the most successful anti-poverty initiative in the past thirty years started with an academic who walked out of the classroom and into the village to loan \$27, and thereby to “unleash the energy and creativity in each human being.”

# liberating the entrepreneurial spirit for good

## Muhammad Yunus and Grameen Bank

Yunus, Grameen Bank, and the microfinance movement beautifully exemplify FLOW's commitment to liberating the entrepreneurial spirit for good.

Yunus was a Bangladeshi economist at Chittagong University in the early 1970s, when Bangladesh was going through some of its most painful years. A devastating cyclone in 1970 was followed by the bloody war of independence from Pakistan. The war was then followed by severe famines, with people dying in the street. Yunus' heart was breaking as he taught academic economics that wasn't alleviating the horrifying poverty he saw around him.

In 1974, he decided to go to a village to learn directly from the people what the obstacles to alleviating their poverty were. He discovered that there were women engaged in hand-crafts who were paying interest rates to local money-lenders that were as high as 10% per week. If they only had access to a few dollars of capital, they could improve their condition considerably. Yunus began making small loans to these women out of his own pocket, starting with just twenty-seven dollars. In order to provide assistance to more women, Yunus created Grameen Bank, meaning "village bank" to reach more women.

Early on Yunus discovered that when women borrowed money and generated revenues from their businesses, most of the benefit went towards their children. This was not necessarily the case when men borrowed the money. Therefore Grameen Bank early on began loaning almost exclusively to women. Gradually Yunus developed a system through which groups of women would receive loans together and, if they all paid back the loans, they would all be eligible for subsequent loans. These groups, typically of five women, would then act both as support groups and as a source of peer pressure to ensure that loans would be paid back. As a consequence of this system, in many years Grameen Bank's repayment rate exceeds 98%, which is in the repayment range of high-grade corporate bonds, far better than most loan portfolios. Grameen Bank today has 1,084 branches, with 12,500 staff serving 2.1 million borrowers in 37,000 villages. The global microfinance movement, catalyzed by Grameen's high profile success, now reaches more than a hundred million of the world's poor.

Grameen Bank borrowers are required to commit to the "Sixteen Decisions" created by chiefs of Grameen Centers across Bangladesh:

1. We respect the four principles of the Grameen Bank - we are disciplined, united, courageous and workers - and we apply them to all our lives.
2. We wish to give our families good living standards
3. We will not live in dilapidated houses. We repair them and work to build new ones.
4. We cultivate vegetables the whole year round and sell the surplus.
5. During the season for planting, we pick out as many seedlings as possible.
6. We intend to have small families. We shall reduce our expenses to a minimum. We take care of our health.
7. We educate our children and see that they can earn enough money to finance their training.
8. We see to it that our children and homes are clean.
9. We build latrines and use them.
10. We only drink water drawn from a well. If not, we boil the water or we use alum.
11. We will not accept a marriage dowry for our son and we do not give one to our daughter at her marriage. Our centre is against this practice.
12. We cause harm to no one and we will not tolerate that anyone should do us harm.
13. To increase our income, we make important investments in common.
14. We are always ready to help each other. When someone is in difficulty, we all give a helping hand.
15. If we learn that discipline is not respected in a centre, we go along to help and restore order.
16. We are introducing physical culture in all centres. We take part in all social events.

While Yunus has sometimes been criticized for the apparent "paternalism" of the sixteen decisions, he regards Grameen as primarily an educational institution. The purpose of Grameen is not simply to provide loans it is to provide its clients with a path towards a better life. Every individual decides voluntarily whether or not to become involved with Grameen; thus each client decides to accept the sixteen decisions.

Once when visiting a Grameen village, a woman came running up to him, tears streaming down her face, thanking him profusely. When he asked her why she was thanking him, she explained that prior to the sixteen decisions, she had spent her entire life waiting for darkness before she could relieve herself. She was grateful because now she was free to take care of her needs any time, night or day. Who could have imagined that an academic economist who decided to visit a local village would end up transforming lives by bundling the requirement that a village build latrines with tiny loans to the poor?

When Iqbal Qadir, a Bangladeshi investment banker, joined with Yunus to create Grameen Phone, through which they proposed to provide cell phones to Grameen borrowers, they were told that these illiterate women were not capable of learning how to use cell phones. But they persisted, and now Grameen Phone now has more than 50% of the Bangladesh market, with 13 million customers, and it is the most profitable segment of Grameen Bank. A few weeks after distributing the first phones to village "phone ladies" Yunus visited a village where a phone lady ran up to him, closed her eyes, and asked him to give her a number. He did so, and she dialed it rapidly, accurately, without looking.

## John Mackey: Introduction

I grew up in Houston, Texas, during the 1950s and 60s. My family and friends were fairly typical of the middle class in the southern United States during that era. I spent my late teens and early twenties trying to discover the meaning and purpose of my own life. Before I started my business career, I serially attended two different universities, the University of Texas at Austin, and Trinity, in San Antonio, where I accumulated about 120 hours of various electives, majoring in philosophy and religion. After dropping out of school for the sixth and final time in 1977, I had earned no degree. During my tour of duty in higher education, I never took a single business class. I am convinced now that this gap in my formal education actually worked to my advantage in the business world. When I started out as an entrepreneur, I had no way of knowing how many accepted business practices I was ignoring and that gap gave me the opportunity to innovate freely without the burden of too many legacies to overcome.

My search for meaning and purpose led me into the counter-culture movement of the late 1960s and 1970s. I studied eastern philosophy and religion in college and on my own, and still practice both yoga and meditation. I studied ecology and developed a strong commitment to living lightly on the planet. I was drawn to the concepts of organic farming and natural foods early on. I chose a vegetarian lifestyle (I am currently a near vegan-eating only eggs from my own chickens), lived in communal housing, and grew my hair and beard long. I was, and still am, one of those crunchy-granola types. Politically, I drifted to the left and embraced the ideology of my peer group that business and corporations were essentially evil because they selfishly sought profits. Along the lines of this reasoning, I viewed government as good because its employees altruistically worked for the public's interests. I worked part-time when I was low on cash, played a lot of pick-up basketball with my friends and continuously read books on dozens of diverse topics.

With that background, I felt well prepared to launch my business in 1978, with a grand total of six months of actual experience working in a small natural food store in Austin. My initial business, a small natural foods market called Safer Way, was located in a charming, rickety Victorian house in central Austin. I started Safer Way with my girlfriend, Renee Lawson, using \$45,000 in initial capital that we raised from friends and family for the venture. Renee and I were very idealistic and we started the business because we thought it would be both fun and a way for us both to engage in a right livelihood, supporting ourselves while having fun and helping other people. We were right. We had a blast then, and although Renee went on to do other things with her life, I continued to have a great time running Whole Foods Market, the business that Safer Way evolved into, during the last 28 years.

At the time I started my business, the political left had taught me that both business and capitalism were based on exploitation: of consumers, workers, society and the environment. I believed that "profit" was a necessary evil at best, and certainly not a desirable goal for society as a whole. However, going into business as an entrepreneur completely changed my life. Everything I believed about business turned out to be wrong! The most important thing I learned about business in my first year was that business was not based on exploitation or coercion at all. Instead I realized that business is based on voluntary exchange. At least in the United States, and certainly in most of the developed world, no one is forced to trade with a business; customers have competitive alternatives in the marketplace for their purchases; employees have competitive alternatives for their labor; investors have thousands of alternatives and places to invest their capital. Investors, labor, management, suppliers all need to cooperate together to create value

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for their customers. If they do, then the value created by the business will be divided amongst the creators of the value approximately equal to the contribution each market participant made in creating that value through the competitive dynamics of the market process. In other words, business is not a zero sum game with a winner and loser. It is a win, win, win, win game. And I really like that.

However, I discovered that despite my idealism and my new found certainty of the voluntary nature of marketplace exchanges, our customers thought our prices were too high, our employees thought they were underpaid, the vendors would not give us large discounts, the community was forever clamoring for donations, and the government was slapping us with endless fees, licenses, fines and taxes.

Were we profitable? Not at first. Safer Way managed to lose half of its capital in the first year. \$23,000.. Despite the loss, we were still accused of exploiting our customers with high prices and our employees with lower wages. The investors weren't making a profit and we had little money to donate. Plus, with our losses, we paid no income taxes. I had somehow joined the "dark side." I was now one of the bad guys. According to the perspective of the political left, I had become a greedy and selfish businessman. At this point, I rationally chose to abandon the leftist philosophy of my youth since, in my experience, it failed to explain how the world really worked. With my previous interpretation of the world now shattered, I looked around for alternative economic and political explanations for making sense of the world.

I somehow stumbled into reading Milton Friedman, Friedrich Hayek, Ludwig von Mises, and Ayn Rand, read them all and said to myself, "Wow, this all makes sense. This is how the world really works. This is incredible." I quickly came to identify myself as a Libertarian. I am one of those people who actually votes Libertarian and have voted almost strictly Libertarian since 1980. What I love most about the freedom movement, another name for the Libertarian platform, are the ideas of voluntary cooperation and spontaneous order that when channeled through free markets lead to the continuous evolution and progress of humanity. I believe that individual freedom in free markets when combined with property rights and the rule of law and ethical democratic government results in societies that maximize prosperity and establish conditions that promote human happiness and well being.

But, unlike many people in the freedom movement who view the responsibility of business solely as returning a profit to investors, I have long been a strong proponent of the social and environmental responsibility of business. Businesses have multiple stakeholders. When all stakeholders are cared for and flourish together, the business has a much higher probability of being profitable over the long-term. And with higher profits, giving back to our communities and protecting the environment are simply the right things to do. Indeed, I strongly believe that once more businesses are managed on behalf of all of their stakeholders that many of the challenges we collectively face throughout the world will be effectively and efficiently addressed and reversed.

Along with my youthful explorations in political and economic theory, over the years I maintained my quest for personal growth and expanded consciousness, continuing my study of the great philosophers from all over the world, as well as pursuing a 20+ year dedicated study and practice of A Course in Miracles. I also practice a variety of consciousness-altering disciplines such as meditation, yoga, and holotropic breathwork. I introduced my own philosophy of personal empowerment and accountability into Whole Foods Market, and structured the business to foster an atmosphere of stakeholder

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accountability through having a strong business mission, team member empowerment and continual creative experimentation. Guess what? This philosophy has been incredibly successful and the business has flourished tremendously.

I first met Michael Strong through a mutual friend back in 2002. I liked him immediately. Michael was the first Libertarian I had met who was also idealistic and who shared my commitments to both economic and political freedom as well as personal growth, social responsibility and environmental stewardship. Like me, Michael wants to use these philosophies and practices to help make the world a better place. Most Libertarians I know are committed to economic and political freedom but not to the other three. Most of my friends who were committed to personal growth and social and environmental responsibility don't believe in economic freedom, and continued to view business and capitalism as inherently exploitative, and the source of the problems instead of the solutions.

Although Michael lived in New Mexico at the time as the headmaster of a charter school, we began a long dialog via email where we shared our ideas about how to make the world a better place and discovered increasingly that we had remarkably similar views on a myriad of issues. In the fall of 2003 Michael invited me to join him at a meeting in Angel Fire, New Mexico, to explore whether we wanted to foster a community of people who shared our vision and ideals. After a great deal of brainstorming and discussion we decided to try to create an organization that would serve as a beacon to liberty, human potential, and making the world a better place. We decided to call it FLOW in honor of Mihaly Csikszentmihalyi's wonderful book by that title. Since that seminal meeting in the mountains north of Taos, we have been slowly, but steadily evolving our ideas about what FLOW is, why it exists, and what we hope to accomplish with this organization. This book is our most complete statement to date about what FLOW offers to the world.

What is FLOW? To sum it up in one simple phrase: FLOW is about liberating the entrepreneurial spirit for good. Our world faces many tremendous challenges, from AIDS to global warming to large population growth to malaria to war and nuclear proliferation to many, many other challenges. FLOW is dedicated to the proposition that creative entrepreneurs can help solve all the challenges in the world. When we talk about entrepreneurs, however, we are not restricting the meaning of the word to business entrepreneurs. Business entrepreneurs will, of course, continue to play a very important role in creating solutions to our challenges, but so will various other types of entrepreneurs including social entrepreneurs, educational entrepreneurs, health entrepreneurs, political entrepreneurs, and spiritual entrepreneurs. At FLOW, we believe that the human capacity for creativity is limitless and that entrepreneurship effectively channels that creativity into real world solutions for our challenges. Every person alive has the potential to learn and grow and to contribute their unique creativity toward making the world a better place. FLOW is dedicated to liberating each person's entrepreneurial spirit and helping that entrepreneurial spirit creatively flow toward the collective good of all humankind.

# liberating the entrepreneurial spirit for good

## The Whole Story

Veteran Whole Foods Market team members laugh when outsiders casually remark upon our company's remarkable and continued success. These "old timers" might ruefully explain that the success is in spite of our actions—at least in the early days—and I almost entirely agree. Today, Whole Foods Market may transact nearly \$6 billion in yearly sales and hit home runs with every new store opening, but when we opened our first full service natural foods grocery in 1980, what we didn't know about operating a supermarket could fill the entire volume of our Austin flagship store. However, I am convinced that the very lack of knowledge about how conventional grocery stores operated allowed us to create both a company culture and business approach that keeps us at the leading edge of food retailing more than 27 years later. I also believe that Whole Foods Market, by turning a lot of conventional wisdom on its head, is among the early adopters of Conscious Capitalism. Let me illustrate with the following examples.

I made a lot of mistakes from day one with my first store, Safer Way. Remember, I was a philosophy major and a college drop-out, and my co-founder, Renee, was a 21-year old anthropology major. Our total retail food experience consisted of a few months of pizza deliveries and six months clerking in a tiny health food store. In the two years of its existence, Safer Way hardly met our investors' goals for return on investment (ROI). We lost money the first year and barely broke even in year two. Despite what many would view as a failure, I envisioned the success the store could be if only we grew large enough to include all of the items our customers wanted to buy under the same roof. I talked both our Board and two significant competitors into backing this vision. And from the day Whole Foods Market opened in 1980 and despite our having to "re-invent the wheel" several times in the first decade, our success rested on a few forward-looking business principles and key decisions that our small leadership team made at the outset.

The first of these decisions had to do with profit. While some of our counter-culture customers may have wished otherwise, we were all in business to be successful and to earn a living. My co-founders and I needed the business to be sustainable so that we could continue pay ourselves, employ our team members, pay our vendors, offer new selections to entice and maintain our customers, and eventually provide returns to our original investors. In addition, we all wanted enough financial success to contribute back to our communities. So, yes, I was in it for the money, and that was just a fraction of the motivation. I thought we could change the world. I also thought there were different ways to motivate team members and to have fun while at work.

Another thing we all agreed on from the earliest days was creating a company culture of empowerment. This choice was very much at odds with the prevailing command-and-control hierarchical management style in most American businesses of the early 1980s. We concentrated on hiring good people with great, can-do attitudes. Very few of our early team members had deep knowledge about food retailing, but most of them knew what our customers wanted. Pretty much from the beginning, the main organizational cell of our company was the team, and Whole Foods Market teams organized themselves to fulfill necessary tasks within their functional area. Team members made decisions by consensus, and had equal say in voting new team members on and old team members off, depending on how a person contributed to the team's overall goals. Efficiencies and superior salesmanship were rewarded by a system of gain-sharing that served as further incentive for team members to take ownership of their role in the company's ultimate success. From that time to the present, every person in the company realizes that they have responsibility for our shared fate.

Whole Foods Market developed the business practice of transparency early in its existence. If we all shared in the company's fate, we all needed to know how the company was doing financially, didn't we? We also followed with the reasoning that as an egalitarian culture, why shouldn't team members view salary information? And to emphasize our shared fate, leadership chose a salary cap of eight times the average wage paid to store workers. Over the years, the cap has increased to 19 times the average wage, which is still far below executive compensation in most other Fortune 500 companies.

In addition, Whole Foods Market has always been a purpose-driven company. To borrow a phrase from Austinite Lance Armstrong, "It's not about the food," although selling healthy food is a large component of what Whole Foods Market has always offered. We developed our Core Values in the early days and they served as both our private guiding principles and public statement of commitment, all the while steering our growth.

Whole Foods Market's Core Values:

- β Selling the Highest Quality Natural and Organic Products Available
- β Satisfying and Delighting Our Customers
- β Supporting Team Member Excellence and Happiness
- β Creating Wealth Through Profits & Growth
- β Caring About Our Communities & Our Environment

Each of the co-founders contributed remarkable foundational components to Whole Foods Market. Full of the idealism the counter-culture thrived upon, we all wanted to change the world into a kinder, greener, healthier place. Renee Lawson's great spiritual openness and love for all of humanity lives on our company's culture of acceptance. Mark Skiles brought the elements of excellence and exceptional customer service to our stores and support offices. Craig Weller provided the model of a remarkable work ethic and willingness to do what it took to make team members and the business succeed. He also modeled forgiveness, a critical quality in any viable organization. And while each was a big enough risk-taker to open the country's first full service natural foods supermarket, none of my three co-founders possessed the unbounded optimism, competitiveness, and long-term vision I brought to the mix. A successful entrepreneur possesses such traits but is well-served by surrounding himself or herself with talented people who have

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qualities that support turning the vision into reality. I have always been fortunate enough to find those talented people and convince them to work, and usually stay, at Whole Foods Market.

The grand possibilities I envisioned for the company were not always shared by my co-founders—or our original investors. I found myself frequently at odds with those who advised caution or a more methodical approach to growing the company. Such is the lot of most entrepreneurs when trying to articulate a vision for which their audience often has no frame of reference. One co-founder left when she realized that my vision wasn't one she shared wholeheartedly. Another co-founder left after four years, fearful that my enthusiastic visions of expansion and experiments would run the company aground. Some of the experiments I advocated, such as our first natural foods fine dining restaurant, actually were resounding financial failures. But many more ideas were rampant successes.

Our leadership encouraged a culture of learning within the company. Once we grew beyond the youthful arrogance of doing everything “our own way”, we realized there was much wisdom to glean from conventional retail food stores about creating efficiencies and economies of scale. We learned about merchandising and design innovations from our direct competitors, and about delighting customers from other industries. When we were successful enough to attract private equity investors, we learned that it was easier to break into new markets by making platform acquisitions, i.e. purchasing our competitors, than building new stores from the ground up. We also remained open to learning from the established companies with whom we merged. Most of these companies like Bread & Circus and Mrs. Gooches have contributed immeasurably to our long-term success. The ability to learn from our mistakes and competitors created an internal culture of innovation that has helped Whole Foods Market continually reinvent itself. We continue to borrow good ideas from a myriad of sources and make them our own. We support an environment of endless experimentation.

Implicit in our core values is the commitment we make to all of Whole Foods Market's stakeholders. Our “Declaration of Interdependence,” crafted by a volunteer group of team members in 1986, clearly articulated this promise. Customers have always been our number one stakeholder, for without them, a retail company may just as well close its doors. Our Team Members are number two and they are empowered to satisfy and delight our customers. Our vendors are number three, for without a reliable source of high quality products at a fair price, we won't have much to sell our customers. The number four stakeholder is the investor. We have a stewardship obligation to maintain the capital our investors have entrusted to us, and to provide a satisfactory return on the investment over time. Finally, we view the communities in which our stores operate and the greater physical environment in which we live as a stakeholder. Whole Foods Market spearheaded retail-based green initiatives, like recycling, from the outset, and has consistently given 5% back to community non-profit groups.

Whole Foods Market team members may have a lot of fun at work, but they, and I, take our mission and responsibilities to our stakeholders seriously. We were the only retailer participating actively on the development of the USDA's organic standards. We worked with the Marine Stewardship Council to develop incentives for conservation of fish species within the fishing industry. We have ventured where retailers traditionally don't tread, and we educated both ourselves and our stakeholders while we innovated.

As the company expanded its number of stores and the scope of its mission, the universe of stakeholders likewise increased. We now include international stakeholders, in countries from which we source perishables, through our Whole Planet Foundation along with other non-human sentient beings through our Animal Compassion Foundation. Recent examples of our commitment to our customers, vendors, and communities include the sponsoring of farmers markets in the parking lots of 25 percent of our stores, the development of an annual, low barrier-to-entry \$10 million local producer loan program, funding a \$10 million dollar food artisan venture capital initiative, and spearheading a multi-stakeholder group crafting animal compassionate standards for food animal species. In 2006, we were the first retailer to purchase wind energy credits for 100 percent of our electricity usage and most of our new stores, all of them leased, include at least some green building practices. All of these initiatives stem from the entrepreneurial drive to solve problems while seizing opportunities to create win-win outcomes for all of our stakeholders.

Did I start out to create a “conscious business” in 1978 with my first store? No, but as an entrepreneur interested in solving a problem and finding a different way to conduct business, and with the help of other wise and creative people, the company became one pretty early in its evolution. Creating a business in the Conscious Capitalism model requires intention, purpose, and an underlying desire to improve upon what is. Successfully attending to the myriad of stakeholders is as much art as business acumen.

The payoffs for this sustained 27-year effort at Whole Foods Market? I believe that Whole Foods Market is largely responsible for improving the health of millions of people, has helped to change the direction of food retailing over the last few decades, and is even helping to change the way food is produced. And the rewards for me, personally? I've had a tremendous amount of fun, I still learn new and amazing things every day, I've succeeded way beyond my wildest imaginings, and, yes, I believe more ardently than ever that enthusiastic, creative, idealistic people can change the world.

## Michael Strong: Introduction

I grew up in an un-intellectual, apolitical, working class family, my mother a 16 year-old high school drop-out and my father just graduating from high school a few months before I was born. When I gradually discovered the intellectual world in the late 1970s, the active debates were between the democratic socialists and Marxists. As someone disinclined towards violence, I naturally sided with the democratic socialists rather than the Marxists.

Conservatives and free marketeers were beneath contempt. In leading intellectual publications such as *The New York Review of Books*, there was a style of argument that amounted to “reductio ad Milton Friedman.” Often an author would dismiss a policy idea merely by showing that it was similar to the kinds of ideas advocated by Friedman, and no more analysis was necessary.

It never occurred to me to question them. Everyone knew that capitalism made the rich richer and the poor poorer, its advertisers manipulated people into buying low-quality products that they didn’t need, it destroyed the environment, and greedy multi-national corporations were responsible for most wars. The third world was poor because these same corporations had rapaciously stolen the resources of these nations while forcing the poor to work in sweatshops. The scale of injustice was so immense that at times I sympathized with the Marxists, who believed that violent revolution was the only answer. When Ronald Reagan was elected in 1980, I joined my fellow classmates in dressing in black.

After a year at Harvard, I transferred to St. John’s College, known for its Great Books curriculum but, for me, more distinctive for the fact that all classes are taught by means of open-ended Socratic dialogue. Although initially I was only going to attend St. John’s for a year and then transfer back to Harvard as a junior, I so loved the intense atmosphere of intellectual exploration at St. John’s that I stayed there, despite the fact that I had to start over again as a freshman.

I gradually developed a deep interest in the philosophy of science and political philosophy. At St. John’s the Great Books include original works by Ptolemy, Copernicus, Galileo, Kepler, Newton, and so forth, and the actual process by means of which scientific knowledge had been constructed was fascinating to me. At the same time, there was a resolute focus on the Socratic pursuit of the true, the good, and the beautiful. In terms of political philosophy, this created a commitment to a vision of political life that nurtured virtue. The goal of political life was clearly to promote eudaimonia, well-being. For most of us something like Scandinavian socialism seemed like the best manifestation of a modern virtue culture.

My combined interests in the philosophy of science and political philosophy led to an interest in economics: my senior thesis compared Adam Smith and Marx, inconclusively. I had also developed an interest in economics through some of the puzzles of the environmental movement. At the time there were active debates about whether, for instance, it was better to use an electric razor or a disposable razor, paper or plastic grocery bags, paper or cloth napkins, etc. And often within a few months an issue on which there had been a debate would congeal into a situation in which there was an environmentally correct dogma, such as that paper grocery bags were better, or cloth napkins were better. And yet I could never find adequate evidence by means of which these decisions had been made. Clearly there were extraordinarily complex issues that

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had to be resolved in order to make such decisions wisely, and yet no one seemed to be addressing the complexities involved.

In the course of researching my senior thesis, a reliably leftist mathematics professor had recommended to me that I read Milton Friedman, saying “While I disagree with his politics, he makes some good arguments in economics.” I had never heard any morally respectable person say anything positive about Friedman before that point. But as I read Friedman, I developed a modicum of respect for his arguments. I became intrigued by the Chicago economists because they claimed to be scientists while also being unabashed free market advocates. Because it was obvious to me that democratic socialism was morally superior to free market capitalism, I decided to go to the U. of Chicago to see where, exactly, they had gone wrong.

After a few years at Chicago, I discovered, to my chagrin, that they were not wrong. Although their assumptions were unrealistic, as I worked with Gary Becker to create an approach to economics with more realistic assumptions I discovered that more realistic assumptions did not undermine most of their conclusions. As I learned about government failure, in particular, it became clear that whatever flaws there were in markets, the assumption that those problems could be solved by government was far too facile. George Stigler remarked that “Deciding that government solutions are better than market solutions by citing market failure is like choosing the first of two singers in a competition without hearing the second.” Public choice theory, the theory of government failure, was devastating to my previous left-liberal optimism.

Worse yet, I realized that many of my empirical assumptions, which I had believed to be facts, were simply false. In particular I was shocked to discover that, under 19th century laissez-faire capitalism, the workers’ standard of living had increased. Everyone I had met, every article I had read, every class that I had taken, had taught me that under laissez-faire capitalism “the rich got richer and the poor got poorer.” That was the rationale for overturning that wicked system. And it wasn’t true? Why hadn’t the newspapers reported the fact that one of the most widespread political premises on the planet was simply false?

I became depressed for two years as I gradually came to understand that most of what I had been taught about economics had been false. I had thought, for instance, that J.K. Galbraith was one of the greatest economists of the 20th century; and yet professional economists had no respect for him because almost all of his empirical claims had been shown to be false. Why was he still being interviewed as a leading expert then on NPR?

Peter Berger’s *The Capitalist Revolution: Fifty Propositions about Prosperity, Equality, and Liberty*, was a calm blow to many of my remaining illusions concerning capitalism and socialism. Many of Berger’s propositions were supported by the extraordinary growth of the Asian Tigers: Poor countries with no resources were becoming wealthy fast due to capitalism, and the standard of living was increasing across the board as a consequence. Since Berger’s book was published in 1986 we have seen China, India, Chile, Costa Rica, Ireland, Estonia, and Dubai all take off as a consequence of free market reforms.

As I began my dissertation, on “Ideas and Culture as Human Capital” (under Becker), I began to train teachers in Chicago public schools to lead Socratic Seminars. This led to an offer to train teachers full-time in Alaska, which I did. I had still intended to complete my dissertation and go into academia, but I found that academic journals in philosophy and political science were hostile to even the most benign arguments on

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behalf of markets. I realized that there was a truly remarkable bigotry against markets among academics. I now regard this bigotry as one of the most tragic facts in human history.

Meanwhile, the teachers and students loved the work I was doing in classrooms. Our projects were well-loved and, after our funding collapsed, a group of parents approached me to ask me to start a school. As someone who had spent most of his life until the age of 34 in school, I had no experience running an organization, let alone creating one. Nonetheless the project fascinated me. I wrote a business plan for the first time in my life and, after our parental supporters grilled me on it, I asked for a check to get started. There is something very powerful in getting someone to write a large check to you based on your initiative and salesmanship.

I had had some relevant previous experience in selling: While looking for a summer job in college I had responded to an ad that shouted “Do you want to save the environment?” Of course I did. It turned out to be door-to-door sales of storm windows. With the typical academic bigotries against sales jobs, my first thought was to back out. But then I followed my own logic: If I believed that energy conservation was important for the environment, then I should be willing to persuade people to install storm windows. Although selling did not initially come naturally to me, out of a sense of responsibility I learned to sell door-to-door.

After getting them started, I ended up leaving my colleagues in Alaska to create what became The Atheneum School as I went on to join The Judson Montessori School (JMS) in San Antonio, where I had been asked to start a Montessori high school. After arriving I discovered that the institution was not ready to start a high school and would not be for several years. I led Socratic discussions and helped with development at JMS, until I was asked to start The Winston Academy in south Florida. Winston Ling was the father of a bright 6th grader who had scoured both the public and private schools of south Florida to find one that would allow his son to advance mathematically, and finally realized that the only solution was to open up his own school. Winston and I started with nothing but an office, a desk, and a computer, and two years later had 40 students in a program that offered College Board AP courses to 6th, 7th, and 8th grade students.

I was then asked to create Montessori middle school programs for the Early Learning Institute, the largest Montessori organization in the S.F. Bay area, with three campuses. After the dot com crash, I then accepted an offer to create Moreno Valley High School, a Paideia charter school in rural New Mexico. I was finally forced out because I did not have an administrative license. MVHS was recently named the 36th most highly ranked public school in the nation based on Jay Mathews’ Challenge Index for the year after I left; although it was already in the top 200 the year I was forced out, that fact was not enough to persuade the State Department of Education to find a way to allow me to remain as head of school.

Some years before I had had lunch with John Mackey. Serial entrepreneur Gary Hoover, a mutual friend, had realized that John and I had much in common and suggested the meeting. And it turns out that we did. After I was forced out from MVHS I had started as Director of Education Programs at the Institute for Humane Studies (IHS), an organization that provides classical liberal education programs for college students. Shortly after I joined IHS, John put up the funding needed to launch FLOW. I began part time in February of 2005 and full time in July of 2005.

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Although I had, in essence, been convinced that entrepreneurs and markets were the best way to solve problems, I had never felt “conservative.” I was still exactly the same idealist who had believed in democratic socialism; I just now happen to believe that entrepreneurs and markets will give us sustainable peace, prosperity, happiness, and well-being far faster than will government action. John was the first person I met who shared my ideals and cultural identity who also believed that entrepreneurs and markets were the best means.

Cultural oppression is a real force. Although I am very independently minded, it was very difficult to consider all the ways that entrepreneurs and markets can lead to positive outcomes when I was surrounded, both in academia and in K-12 education, by people who believed that entrepreneurs and markets were evil. And yet, when I have been in the free market movement, it has often been awkward to express my passion for making the world a better place. FLOW is a very important space that will allow authentic idealists and moral leaders to work together to make the world a better place using the dazzling tools of entrepreneurship and markets. Welcome to a cultural space in which an unapologetic love for the good may be combined with an unapologetic enthusiasm for free enterprise.

For those of you who are already with us, welcome.

For those of you who are skeptically coming from the left or the right, please try to transcend your earlier programming and learn to see the world through an upwing perspective that is neither left nor right. I am convinced that the more quickly we get more people working within this conceptual framework, the more quickly we will be able to achieve lasting peace, global prosperity, and profound happiness and well-being for all, in an environment that respects and nourishes the natural world.

After creating school after school I discovered that entrepreneurship is a matter of creating something out of nothing. Over and over again I had the experience of walking into a situation in which there was nothing, and then after a few years of extremely hard work, there was a bustling school which everyone took for granted. I realized that the fact that entrepreneurs create something out of nothing falsifies most of the conclusions of social science: it was possible to change a situation dramatically by creating a new institution from scratch. Although I am still sympathetic to some aspects of academia's critique of society, I am no longer interested in criticism without action. Michelangelo's “Criticize by creating” is now my ethos.

Help us to create a better world. Criticize by creating.

Michael Strong  
August, 2007  
Austin, Texas

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## **The Emerson School: The Conscious Creation of Personal Identity as Middle School Curriculum**

By Michael Strong

Walking across the redwood boardwalks of the Early Learning Institute behind the Elk's Club of Palo Alto, one weaves through various undecorated modular buildings to get to the middle school in the back of the "campus." Over the door of the classroom is a quotation from Carl Jung, "In the final analysis, we count for something only because of the essential that we embody, and if we do not embody that, life is wasted."

Open the door to find one large, open room, with a row of carrels to the left, most of which are highly personalized with teen totems of various sorts. Some students are sitting in their carrels working on their computers, others are sitting at large black lab tables in the middle of the room talking quietly. A large bubbling "ecopod," a tropical self-contained aquarium/terrarium in a hexagonal glass case three feet across, has sunlight streaming through the frogs and fish and plants. A student is washing glassware in a sink across the room, other students walk quietly through the door as I talk to a guest.

Chuck Bernstein founded the Early Learning Institute (ELI), in Palo Alto, based on the belief that we can create a better education system. Working with Martin Engel, a Stanford education professor and initiator of Apple's Classroom of Tomorrow (ACOT) project, Chuck's ELI was an ambitious attempt to create a for-profit model school chain (an attempt that led successfully to a multi-campus educational program, but no profit).

After engaging in thorough research into early childhood education, Chuck and Martin chose a modified Montessori foundation for their school. In addition to traditional Montessori education, each student would have his or her own Apple desktop computer, and the Montessori curriculum was supplemented with "Logo" and various other software programming. .

Maria Montessori was one of the most original educational innovators of all time. The first female doctor in Italy, early in her career Montessori became interested in the problem of educating children with learning disabilities, which led to an opportunity to create a school for ghetto children in the San Lorenzo district of Rome in 1906, which was soon recognized as a dazzling success. By 1913, she was a global celebrity, with Alexander Graham Bell, Thomas Edison, and Helen Keller among those who believed that her educational methods were about to change the world.

Shortly after her celebrity tour in the U.S., Columbia University education professor William Kilpatrick, arguably the most influential education expert in the U.S. at the time, wrote *The Montessori System Examined*, a scathing attack on the unusual education methods espoused by this peculiar woman doctor from Italy. A disciple of John Dewey, Kilpatrick believed that, among other things, the Montessori method was excessively intellectual. Kilpatrick's attacks largely destroyed the Montessori movement in the U.S., and then WWI, fascism, and WWII largely destroyed the nascent movement in Europe. Maria Montessori went to India to escape fascism, only returning to Europe for the last years of her life in the 1950s, where a small Montessori movement launched once again.

Nancy McCormick Rambush brought the revived Montessori movement to the U.S. in 1958, and the 1960s and 70s saw hundreds of Montessori pre-schools opened up here. Maria Montessori herself had only created pre-schools in Italy, but in her later years she gradually developed a corresponding elementary school program. In the 1970s and 80s many of the pre-schools began extending their programs into Montessori elementary programs. By the 1980s and 1990s a few of them had begun experimenting with Montessori middle school programs.

Although I never had Montessori training, I entered the Montessori movement when I was asked to design and create a Montessori high school program for the Judson Montessori School of San Antonio. Jim and Gay Judson, the school's founders, had completed their Montessori training under Cato Hanrath, one of Maria Montessori's original students who had become a renegade. In an attempt to maintain quality control, Montessori training had become highly standardized, especially after Montessori's death. Hanrath, by contrast, practiced Montessori education as a living, breathing pedagogical tradition, and had integrated the study of philosophy and the human potential movement into her Montessori courses. As a consequence, the Judson's saw my philosophical background, and Socratic pedagogy, as a perfect complement to Montessori elementary education. For those Montessorians who understand the core of Montessori pedagogy to be the nurturing of independent learners, my focus on developing intellectual independence was perfectly aligned for the more abstract learning appropriate to the secondary school curriculum. Thus through my work at the Judson Montessori School, I began consulting and speaking on Montessori secondary education.

It was thus at a conference on Montessori secondary programs that Chuck Bernstein and his wife Candace had heard me give a talk on the importance of personal identity development in middle school curriculum, and invited me to create Montessori middle school programs for their two elementary schools, in Palo Alto and Pleasanton, that were ready to grow into middle schools. With nothing but an empty room on each campus, I created a curriculum based on the concept of the conscious development of personal identity. I had worked with middle school students long enough to know that, whether or not they were aware of it when they entered middle school, it would gradually become a burning question for them: Who am I? How do I fit in? How do I relate to my family, my beliefs, my community, my school, and my country? In middle school, young people are constantly trying on new personalities, new

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hairdos, new music, new attitudes.

It is not as if traditional academic subjects were neglected; we had a self-paced mathematics program in which students were working on mathematics from third-grade level (for a student with learning disabilities) to a student who completed pre-calculus in eighth grade, and succeeded in a calculus class at Cupertino High in ninth grade as one of the two most advanced mathematics students there. Another student completed a remarkable hundred-page novel. Others who could barely write a page upon entering were writing thoughtful ten page essays before they left. The average SAT score of Emerson eighth graders without learning disabilities was higher than the average SAT scores of graduating seniors from public, parochial, or private schools in the U.S.

But there was no academic stress or strain; as a prospective parent who was a CFO for a major Silicon Valley corporation put it, "How do you get them to do this? This is exactly what I want my employees to do!" Most of the credit goes to the fact that most of the students previously had six or more years of Montessori education before entering the middle school. From the time they were three, or earlier, they became accustomed to focusing on their own work for hours at a time, in a three-hour unstructured "independent work period" each morning. This is why Mihaly Csikszentmihalyi rightly acknowledges Montessori education as an approach that encourages the "flow" experience in children. All adults should visit a well-run Montessori pre-school to appreciate the marvel of four and five year-old children spontaneously working on their own with remarkably little guidance from the teacher, or "guide" as they are often called.

Montessori's genius, rarely recognized, was in the design of an integrated system of pedagogy, curriculum, teacher training, and classroom environment all of which support the development of independent learners. She was well aware of her design principles:

A felicitous environment that guides the children and offers them the means to exercise their own faculties permits the teacher to absent herself temporarily. The creation of such an environment is already the realization of great progress.

What few realize is that her design cultivates independence in children. Most observers of Montessori education believe that "it works with those children, but not with regular children," forgetting that she began her work with large groups of Italian ghetto children a hundred years ago.

When I first arrived in Palo Alto to design the middle school, a group of upcoming sixth grade girls stopped by my office and asked for a meeting. I agreed to meet with them concerning, as it turns out, mathematical textbook selection. For those who have worked with young people, it is extraordinary to have girls initiate curriculum debates with new school directors, and especially in mathematics. But most of the students who had come up through the ELI Montessori program had internalized focus, work ethic, intellectual curiosity, and the desire to work together to create a more effective learning environment.

About half of the students in the middle school had come up through the program and about half had come from other schools. The students from other schools initially regarded the peer culture at Emerson as naive and dorky. There were, in particular, three girls from a local public middle school who arrived with make-up, provocative clothing, and a jaded, "cool," attitude towards school and life. They were furious at their parents for dumping them with such an "un-cool" peer group. The Emerson School students were cheerful, innocent, and eager to learn. But after about four or five weeks, the "mean girls" gradually quit wearing make-up, began to dress more like normal people, and quit acting jaded and mean. Two years later, when the oldest of them had to graduate from eighth grade and return to public school, she cried and cried, hating the fact that she had to return to a social universe of cruelty and artifice. She and her parents begged us to extend the program into high school, but we were not in a position to do so at the time.

We know how to create healthy, positive environments in which young people flourish, learning more academically while simultaneously becoming healthier and happier socially and emotionally. There are hundreds of such schools, following diverse pedagogies and philosophies, all putting the needs of the whole child first, whatever they call their programs. We need to liberate the spirit of educational entrepreneurs for good, so that all young people may benefit from such learning environments, and the far better ones that will eventually be developed through new innovations.

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