True Wealth Creators: ***Glimpses from the Past***

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Valuing Wealth

The publicity blitz that Bill Gates and Warren Buffett attracted when they jointly visited India is not surprising, for the rich and the wealthy have attracted the limelight since times immemorial. But curiously, the attention the rich get is not directly proportionate to their quantum of wealth. Even among the rich there is a pecking order; some sources of wealth are valued more than others, some uses of wealth are commended while others are frowned upon and what they do is constantly scrutinized. The value system prevailing in a society reflects the relative rank accorded. Looking back over the ages, has the value system changed? If it has, then what has changed and why? If not, is there any element that has survived the ravages of times?

Color coded into white, grey and black, *Naradasutra* in Ancient India classified wealth into three categories. The classification reflected the then prevailing value system. The pinnacle position was reserved for the creators of *Sukla* or the white wealth acquired through knowledge, valor, practice of austerity, teaching, sacrifice and inheritance. On reflection, we can conclude that this wealth was a byproduct of some other primary motive not directly related to wealth acquisition. The next rung was reserved for the *Sabala* or the grey tinge where wealth is directly targeted through money lending, tillage, commerce, gift received for artistic performance and personal services rendered. *Krsna* or the wealth of dark hues occupied the base position as it was a result of wealth acquired by ethically questionable means, namely bribes, gambling, forgery, robbery or frauds.

Had Gates and Buffett visited Ancient India, would they both have been equally honored? Or would Gates the entrepreneur with his knowledge based wealth be placed on a pedestal, while Buffett the investor, be accorded a lower status due to his 'money lending' lineage. Although this could be a matter of debate, there is no denying the fact that both in the Ancient India and today in 'Anna's' corrupt-conscious India, the owners of *Krsna* wealth would be looked down upon and treated with contempt. Was Ancient India unique, or would Buffett have received a different reception elsewhere in the world?

Around the World

In the land of Socrates, Plato and Aristotle, there is a slim chance that Gates and Buffett would have received a red carpet welcome. To the ancient Greeks, wealth was a means to an end and as Aristotle remarked, pursuit of unlimited wealth led to '…living only, and not upon living well.' In the ancient Greek society, only slaves and foreigners toiled for wealth. For the free citizens, first action on attaining economic independence was to invest their wealth in land and be insulated from dirtying their hands in any further economic activity. On gaining economic independence, the free Greek citizen devoted his life to politics.

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In India and in other parts of the world too, any conscious attempt to pursue wealth was socially frowned and religiously censured. Life on this earth was seen as an entrance test to paradise. It was a divine mandate to be born poor. The inheriting rich were advised to live a pious, frugal life and to help the poor. Trade and commerce during this era was recommended based on the concept of just price and fair wages. As Thomas Aquinas the 13th century theological scholar commended, if a seller unknowingly sold 'gold as brass' the buyer was bound to compensate the seller. Further he approved of trade only to meet the needs of a family, provide relief to the distressed or supply necessities for their countrymen. Added to this, in the Christian and Islamic world, money lending was considered a sin as it exploited the misery of their brethren. Given this strong value bias, what changed the social attitude towards conscious wealth accumulation?

Profits Sanctioned

Over time as trade expanded from consumables like food within a local community to intermediate goods like wool among the merchants located in more distant markets, the concept of just price too evolved. Johannes Nider a 15th century Dominican friar summed up this change when he noted, 'A thing is worth as much as it can be sold for, that is, according to how purchasers can be got to buy when at liberty and by free choice, and assuming that the purchasers are not fools, pinched or deceived.' He justified the idea that value lies in the eyes of the beholder, by using the ethical plank of objectivity. While a seller could be suspect in deciding a just price as he is an interested party, he could not go wrong in trusting the buyer's decision; especially when this view was endorsed by the community. Gradually, as the revised concept of just prices gained acceptance, profit transformed from being a dirty word reeking of exploitation to a service fee paid to the providers of socially demanded products and services.

While Johannes Nider explained the idea of just price, Adam Smith the father of economics subsequently outlined the process by which profit is bleached off its taints of exploitation. Smith saw free-markets as a non-violent and voluntary exchange mechanism of goods and services. Given this, each participant in the market must adopt the value system of his counterparty. Though driven by self-interest, a successful businessman must have sympathy. A successful seller must appreciate the needs and the value system of his buyers, and vice-versa. If the seller initially quotes a price and does not get willing buyers, he must then step into the shoes of the buyer to realize their hurdle. On viewing the transaction from the angle of buyers, the seller would then revise the prices lower till he gets willing buyers. As the buyer is not compelled to buy and retains the freedom to walk away from the deal, Smith showed that there was no exploitation involved in trade transactions.

This new insight of 'exploitation free' transactions in the free markets may have been the catalyst for wealth to be moved from a three-tier to a two-tier classification. With this change, there remained the *Sukla* wealth or what is valued and the *Krsna* wealth or what is despised. *Sabala* wealth of the grey tinge, a result of wealth directly targeted by money lending, tillage, commerce, artistic performance and personal services merged with the *Sukla* wealth. Did this merger authorize unrestrained wealth accumulation, or were restraints put in place?

Work is Worship

Once the moral hurdle in pursuit of wealth was removed, it did not take long for people to realize that wealth is rewarded only to those who are solely devoted in its pursuit. John Calvin the French social reformer advanced a new logic that placed work on par with worship. Profession is also a part of the divine plan he noted, and diligent engagement in a profession was equivalent to dedication in religious life. He went on to elaborate that hard work engaged the individual's mind. Time spent away from work was time spent not glorifying God. By this logic if work was worship, he concluded profit and wealth were visible answers to our prayers. More profit and more wealth showed that the individual was more worthy in the eyes of the God. With this new rationale, pursuit of wealth was socially approved, but with one caveat. Wealth could be accumulated and used productively. But wealth should not be used for personal indulgences and luxurious life style. John Wesley, the Methodist pastor in his sermon delivered in 1760 on *The Use of Money* articulated crisply the thought behind wealth accumulation and its justified uses.

Earn all you can, save all you can and give all you can was John Wesley's clarion call. He qualified his three part advice with clear limits. Without hurting yourself and your neighbor, in both body and soul was wealth to be gained by diligent application. Likewise, he advised eliminating expenses that indulged in gratifying desires of flesh and eyes or feeding the ego to save all you can. Expense on exotic food, expensive apparels, ornamental and expensive furniture was frowned upon. He visualized wealth as a gift from God, to be held in trust as a steward, and not consumed as an owner. After providing for self and their household needs moderately, his final recommendation was to give all you can. Giving not just what you can, he emphasized 'nay, in a sound sense, all you have'. This principle of altruistic wealth accumulation and liberal philanthropy found acceptance in a society that had for long looked down upon self-centered living.

John Wesley's thoughts found an echo in each subsequent century. In the 19th century, John Ruskin the English philosopher and Andrew Carnegie the steel magnate amplified his idea of trusteeship. Carnegie not only preached his crisply articulated *Gospel of Wealth* but also practiced it. His logic for giving away wealth was based on its efficient use. He listed three options for surplus wealth accumulated –bequeath it to the family, leave it for charity after death or give it away during the lifetime. The first option he noted resulted in inefficient use as he saw the inheriting European aristocracy not live either a frugal life or provided an example of liberal giving. The second option was not really an option as the wealth holder had no choice in timing his death. This left Carnegie with the third option as the only real one to pursue. He recommended using the surplus wealth to set up 'ladders' for the needy who wanted to climb out of their life of poverty.

In the first half of the 20th century, Mahatma Gandhi preached trusteeship to the wealthy. In the second half, on the other side of the globe, Warren Buffett provided a perfect example of this idea. He epitomized simple living and high thinking. His choice of residence and mode of transport reflected his need. In an ego-free decision, Buffett donated his billions to the Bill and Melinda Gates Foundation. No wonder he is recognized as the Sage of Omaha. Looking into the 21st century, this concept seems to be gaining ground as we look at the large number of foundations and charities being set up by the rich. As we scan ahead, does the responsibility of wealthy end with gain all you can, save all you can and give all you have, or is there anything else for them to do?

Voice for the Voiceless

Beginning in the 20th century, the influence of the rich has gradually but surely expanded from the economic domain and crept into the political, social and the artistic spheres as well. Wealth has emerged as the new universal symbol of success; success that embodies dedication, insight and wisdom. The earlier sources of influence emerging from valor and intellect are now submerged and seen in wealth. Not only is wealth as a symbol visible, but it can also be quantified and objectively ranked, which is not the case with respect to valor or intellect. The publicity surrounding wealth rankings and its popular appeal has made the wealthy influential. In democracies where public policies are shaped by popular opinion, the influence that the wealth wields is significant and material. The question is how this influence is used.

Wealth has widely varying effects on its owners. For many, wealth is liberating and gives them wings to soar higher. But to some others, the influence of wealth is limiting. Their dominant motive to protect wealth hinders their ability to speak out against the powerful and influence public action into its right course. When properly used, this ability to influence public debates and public policy decisions is substantial in all democracies. Increasingly the more 'responsible' among the rich are evangelizing their core beliefs. Buffett calls for fair taxes, Soros calls for open societies, Premji calls for universal elementary education and Gates calls for basic healthcare. A common thread that runs across all these themes is to strengthen democracy, the system at core that enabled all these individuals to earn their wealth.

Lessons from the Past

From this short study, we can take away four critical points in identifying 'true' wealth creators:

1. Wealth cannot be ranked based only on quantity. Some sources of wealth are valued more than others. In the present world, self-created wealth is valued higher than inherited wealth. Even among the self-created category, wealth that is a byproduct of meeting social needs like employment, serving the requirements of the needy and safeguarding environment is at a premium. In the world today, a single bottom-line is no longer adequate. The enlightened world has moved to the Triple-Bottom-Line concept, where profits are measured along with its impact on the planet and people.

2. The second dimension of wealth is in its personal use. In a world of billion dollar residences, million dollar luxury vehicles, ostentatious attire, jewellery and exotic food, austerity is prized. Simple lifestyle is a value very tough to define, for what is a luxury to one could be the basic need of another. Given this vide range in value system Andrew Carnegie prescribed a practical test. He remarked, 'So in the case of wealth, the rule in regard to good taste in dress of men or women applies here. Whatever makes one conspicuous offends the canon. …The verdict rests with the best and most enlightened public sentiment. The community will surely judge, and its judgment will not often be wrong.' In short, a lifestyle that blends with the rest was the best.

3. The third dimension of wealth is in its public use. It comes from the realization that the opportunity to accumulate wealth is directly related to the opportunities available. Warren Buffett making the pledge to give away 99% of his wealth during his lifetime or on his death, identified these opportunities by noting, 'My luck was accentuated by my living in a market system that sometimes produces distorted results, though overall it serves our country well. I've worked in an economy that rewards someone who saves the lives of others on a battlefield with a medal, rewards a great teacher with thank-you notes from parents, but rewards those who can detect the mispriced securities with sums reaching into billions.' He not only chose to correct this obviously misallocating reward system, but also combined with Bill Gates to evangelize among the rich around the world, the practice of giving away a majority of their wealth to philanthropy.

4. Providing a voice to the voiceless is the fourth and the final dimension of true wealth creators. Wealth comes with responsibility and in a democracy, the first responsibility of its

well wishers and beneficiaries is to preserve and promote democracy. Given this, the final test every wealth creator has to measure upto is their contribution to strengthening democracy. Looking around the world today, Warren Buffett is the wealthiest measured not just on any one but on all the four dimensions.

With or without further refinements if we accept this concept of true wealth creators, will we see the day soon when management institutes start self-assessing their performance on their ‘Buffett’ ranking score—A measure of the contribution their alumni make to themselves and their society? That would be the day when management institutes truly come of age. That would also be the day when the potential of management ‘science’ is more fully realized as we know it today.