



ELEVATING INDIVIDUAL AND SOCIETAL SUCCESS

LIFE ENABLING ENTERPRISE:
AN ECONOMIC SYSTEM
FOR THE GOOD OF HUMANKIND

RAPHAEL L. VITALO, PH.D.

AND

CHRISTOPHER J. BUJAK, B.S.M.E.

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Life Enabling Enterprise: An Economic System for the Good of Humankind

Raphael L. Vitalo, Ph.D. and Christopher J. Bujak, B.S.M.E.

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To Anne

Always mighty, never a mouse.

All of us teach by the way we live,
Some for better, some for worse.

Some of us teach by intent,
But, without caring or skill, we fail.

You always taught by deed and intent,
Always with caring, never failing.

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The basic findings of this book are the following:

1. Commerce is an exchange between people, each giving the other something. What is exchanged can be physical, emotional, or intellectual in form. It encompasses a comprehensive and pervasive set of behaviors that extends across every human life and all arenas of human activity. It is commerce between a man and a woman that creates human life. It is through the commerce between a child and its family that each child is protected, reared, and supported in its development and its family experiences the pride, joy, and excitement of witnessing a human life unfold. It is through our exchanges with others and our physical world that we expand our information and knowledge, develop our skills, hone our proficiencies, and progressively discover who we are as unique individuals. And, yes, it is through commerce that we obtain the material goods and services that we either cannot produce or choose not to produce for ourselves.
2. The traditional economic use of the term that views commerce as the buying and selling of goods is myopic at best. A true understanding of human commerce must incorporate facts descriptive of the full range of its occurrence, including what is exchanged and why.
3. All economic models attempt to describe, predict, explain, and enable the control of commercial activity, as each model defines it, in an effort to ensure its success. Deductive economic models derive their principles from their assumptions about human nature since it is human behavior they explain. Commerce, as a human activity, expresses people's motivations, goals, values, and social orientations. It is a model's assumptions about human nature that determine how it defines the purpose that commerce serves, the behaviors people will engage in to accomplish that purpose, and how they will define success.
4. Capitalism is founded on the assumption that all people everywhere have the same nature (*Homo economicus*). The core elements of this sameness are that people are materialistically focused, radically individualistic, and always self-serving. They act rationally to maximize their personal profit or received value, both of which are measured monetarily. Essentially, people are egoistic self-maximizers. Capitalism also assumes that, within commercial contexts, no asymmetries of information or power exist between people. Thus, despite their self-maximizing drive, no individual can just take from or otherwise exploit another because no one has power greater than the person whose resource they seek. Hence, all commerce is resolved through negotiated settlements that provide sufficient satisfaction to each party to

warrant agreement. All such transactions are therefore deemed “free and fair.”

5. Wealthy people who are materialistically focused, egoistic self-maximizers are served well by Capitalism because, by design, it advantages the already wealthy and serves as a powerful social control mechanism that serves to mask the unrelenting exploitation of the many by the few. As a real-world functional economic system, however, evidence is both overwhelming and indisputable, Capitalism fails. It does not deliver its promised benefits. It is flawed internally as a logical model, produces harmful societal effects, and the assumptions it is built upon do not map to the findings of empirical science.
6. Empirical research demonstrates that not all people match Capitalism’s image of humankind. That research reveals that the largest segment of evolved humanity is natively cooperative and other-regarding in their orientation toward others. They value being connected with others and behave in ways that take others into consideration, even at a cost to their material gain and welfare.
7. These cooperative, other-regarding people also strive to emerge as unique individuals. Their striving for individuation is both expressed and advanced through mutually beneficial commerce with others.
8. This portion of humanity has no commercial model to guide their pursuit of commerce in a way that reflects who they are. This book offers such a model.

This chapter explains the purpose of this book and provides a roadmap for understanding its contents.

Chapter 1

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Economic Systems

Economic systems have powerful effects on our lives—and not just in material ways. The power of an adopted economic system is exerted directly on our minds, as its understanding of humankind and the values the system endorses constitute a secular ethic that is promulgated directly through teaching in educational institutions and endorsements in public forums. For example, a system may reinforce competition over cooperation, material wealth as a sign of merit, and self-interest over regard for others as a reasonable attitude for living in the world.

An economic system's influence is amplified through the commercial organizations that apply its thinking. Each system defines the purpose a commercial entity pursues, how it organizes its activities and treats those who contribute to its efforts, and how it conducts itself with regard to the public as it acts to realize its purpose. Given our pervasive engagement with commercial enterprises as customers, workers, and members of the public, their conduct exerts unequalled influence in forming the real, not imagined, culture that emerges within a society. That influence on shaping a public's mindset is further enhanced by the portrayal of the conduct of commercial entities back to us by the news and entertainment media, almost always with endorsement. When reproach is expressed, it is usually done with the qualification that the unacceptable conduct was solely an expression of an irresponsible, rogue individual.

And, as if all the power exerted by an adopted economic system in shaping people's social experience were not sufficient to saturate a culture with the system's inherent ethic, each society's government takes actions based on its adopted system's logic, thereby further reinforcing its mindset and principles. In this way, the government itself becomes a promoter of the thinking that underpins the economic system it adopts as it shapes the material reality its citizens must cope with and justifies its actions using its adopted system's rationales.

The False Certainty of a System's Validity

All of the mental impact on us that is exerted by an adopted economic system is largely invisible and goes unchallenged. Most of us imagine that the economic system that envelops us is a given of nature and therefore indisputable. This is especially true of Capitalism, which is often promoted as the only valid economic system in existence. As documented by Häring and Douglas (2012) and Zaitchik (2022) and demonstrated in the Powell Memorandum (Powell, 1971), the proponents of Capitalism have worked diligently to foster this conviction lest voices emerge that threaten its dominance.

But an economic system is not a product of natural law. All economic systems are based on assumptions about humankind, not the laws of nature. Commerce

between people is an inherent human activity that spans one's life and every arena in which one operates. How it is manifested expresses people's motives, values, and experience or non-experience of connectedness with others. People who conceive an economic system make assumptions about these features of humankind. It is their assumptions about humankind that determine what their model will define as the purpose of commerce, what it will consider "profit" or gain to be, what measures of progress it will define, and what methods a person will use and not use in pursuing success. And those assumptions model builders adopt may or may not properly reflect the true nature of humankind as judged by existing science.

The premises that underpin Capitalism, for example, are seriously undermined by the empirical findings of human sciences. Its theorems and guidance are based on an assumedly universally applicable definition of human nature. It asserts that all people are materially focused and radically individualistic by nature. They act solely to satisfy their own self-interest without regard for others. Indeed, any regard for others that may appear to be present is simply based on the expectation of achieving greater gains for oneself (Andreoni, 1990).

As you will read in *Chapter 6* of this book, empirical studies have shown that people display two different response dispositions toward others. A portion of humankind acts with self-regard only. Some of these people act egoistically without reserve, as Capitalism posits. That same research also reveals, however, that a second segment of humanity operates on a different basis. They are cooperative and other-regarding by nature. They seek mutually beneficial outcomes when they relate with others, and they regulate their behavior to produce those outcomes. Their mere existence falsifies one of the foundational premises of Capitalism and the derivative theorems and principles that flow from it. But, more pertinent here, it renders all the economic guidance that Capitalism offers irrelevant—if not destructive—for this other-regarding segment of humanity and the societies they constitute. The reason for this is that following Capitalism's guidance requires them to behave in ways that contravene their own native inclinations for cooperation with others in the pursuit of mutual benefit.¹

The Need for a Different Understanding of and Approach to Commerce

While a number of proposals have been made to adjust Capitalism to

¹ The existence of these two types of people interacting within the same society, as revealed in *Chapter 6*, one resolute "takers" and the other "cooperators," also requires rethinking the underlying causes of society's current state. The reason is that, as *Chapter 6* also reports, repeated studies have demonstrated that, when egoists interact with cooperators, they always seek to exploit them. Consider this finding in the light of the fact, documented in *Chapter 2*, that economic and political power is heavily weighted in the former group.

incorporate concern for others (e.g., B-Corporations, Caux Round Table (CRT) Principles for Responsible Business (2017), Inclusive Capitalism), all fail to recognize that a concern for others is inconsistent with Capitalism's premise about the egoistic nature of humankind. Given that Capitalism is a deductive theory, that premise cannot be "adjusted" because all the dynamics that deliver the benefits Capitalism promises require that it be true. If you modify that premise, the entire model collapses.² Only a new approach to commerce based on a different set of premises can adequately provide commercial guidance for people who are natively inclined to cooperate with others and seek mutually benefiting ends in their exchanges with them.

Further, as psychologists and social scientists, we cannot form a correct understanding of the purpose of commerce, the range of human needs commerce must satisfy, and the true nature and role of economic systems *unless* our economic thinking accounts for the makeup and behavior of this second group of humankind. Without such a well-formed understanding of these matters, we will construct systems and shape society in a way that fails to provide all the necessities humankind requires to prosper and grow, and, thus, we will destroy our species.

Finally, we need to appreciate that the mindset embedded in a nation's adopted economic system is expressed both within the nation adopting it and internationally through that nation's relationships worldwide. Indeed, the assumptions about humankind that underpin a nation's choice of an economic system underpin its view of its neighbors and therefore its approach to international relations. If a nation assumes that people are radically individualistic and solely self-serving, acting only to maximize the realization of their self-interest, then that nation will expect international relationships to be contentious by necessity. Given such a view of humankind, it will be anticipated that every other nation will act without regard for the consequences their behavior produces on other nations. A nation with such a worldview must see as its duty the need to preemptively assert itself over other nations so that it does not end up being subject to them. Therefore, hegemony must be the ultimate end goal of such a nation's international relationships. Such a nation might temporarily adapt to a bipolar or multipolar world order whenever hegemony is not possible, but it will always strive to realize hegemony, as that is the solution that best ensures a world order that maximally satisfies its interests in a manner unencumbered by others.

Capitalism's assumptions about humanity are absolutely compatible with the worldview that underpins a hegemonic foreign policy and, more generally, a polar

² The deductive nature of Capitalism as a theoretical system and the consequences of that fact are discussed further in *Chapter 2. Why We Need a New Economic Model*. We address the subject in still greater detail in *Chapter 4. How a Model's Foundational Premises Shape Its Contents*.

view of international relationships. No secular economic system recognizing the cooperative and other-regarding qualities of humankind exists. Such a system's perspective on humanity would support a wholly different worldview and solution to international relationships, one that would suggest a harmonious, mutually cooperative approach to meeting each nation's needs. Until now, such thinking has been dismissed as utopian at best. However, science's new understanding of humankind suggests that, for at least a segment of humankind, a harmonious, mutually cooperative approach to nationhood and international relations is both realistic and necessary. Only a new economic system based on assumptions recognizing the existence of this subset of humankind can properly guide such a society and its governance. And only such an economic system can serve the development of a harmonious world since such a world requires a cooperative approach to growth that allows each nation to realize its full potential and humankind as a whole to flourish and prosper.

Overview of This Book

The purpose of this book is to present an empirically valid understanding of who we are as human beings and to provide an economic system derived from this understanding.

This book is organized into three parts. The first part (Chapter 2 and all of Section I) explains why we need a replacement for Capitalism, develops our understanding of commercial models (economic systems) in general, and describes the foundations of the Life Enabling model. The second part (Sections II, III, and IV) presents, in detail, how a Life Enabling commercial enterprise is organized and conducts commerce. The third part (Section V) summarizes the content of this book and presents its implications.

Part One

This book begins by exploring Capitalism itself—its basic tenets, promises, and problems as an economic system. We do this because the proponents of Capitalism present it as the *only* effective economic system. If true, then there really is no need for the rest of this book. Even if not true, we need to understand Capitalism because it dominates our society and all its commercial enterprises. Also, anyone seeking to implement a different approach to commerce must be knowledgeable of how Capitalism works or fails to work. They need to understand the ends Capitalist enterprises seek, how they pursue them, and how they will respond to the presence of an alternative approach to commerce like the Life Enabling approach. Otherwise, implementers of Life Enabling commerce will be unprepared to relate with Capitalist enterprises effectively, and this will ultimately undermine their intent to benefit the people who need their products or services.

Part one next focuses on building people's understanding of economic models

in general and the Life Enabling model in specific (Section I). We define the meaning of commerce and introduce a framework for describing the contents of any economic system. We explain the premises that define each model's thinking and show how those premises determine every element of the model's content. We then describe the foundational premises of the Life Enabling approach to commerce, a commercial approach that ensures all organizational decisions and actions protect, nurture, and enrich human life and the ecosystem that supports all life. Next, we test the validity of the model's assumptions against the findings of empirical science. In that process, we uncover facts about who we are as a species, the role commerce plays in the survival and development of humankind, and the range of human needs commerce must serve.

Part Two

The second part of this book (Sections II, III, and IV) provides practical guidance for conducting Life Enabling commerce. In these sections, we elaborate the Strategic, Operations, and Executive Functions guidance that steers the implementation of a Life Enabling enterprise. In each case, we provide examples of how such an enterprise differs in its conduct from one implementing Capitalism.

With regard to its Strategic component, we present the principles that define a Life Enabling enterprise's long-term goal, the specific results it must produce, the marketplace activities it will use to generate those results, and the organizational strategy essential to its success. We explain how it defines profit and how it realizes it. This guidance covers every element within a company's strategic plan and explains the logic that underpins its shaping.

With regard to its Operations component, we provide the knowledge you need to steer the day-to-day activities of every business function within a Life Enabling enterprise. We explain the results operations must produce, the activities that produce those results, and the resources needed to successfully implement those activities. In this guidance, we include how to understand and address the needs and values of customers and stakeholders, how to design outputs and their implementing processes, and how to establish waste-free, optimized processes across all business functions.

Executive Functions keep an organization whole, capable, viable, and accomplishing its purpose. These functions define how organizational decisions are made, the role and power members of the enterprise possess, how the material benefits produced by the enterprise are distributed, and the culture that prevails within it.

Part Three

The third part of this book (Section V) summarizes its content and presents its implications. These include Capitalism's undermining of individual and social

well-being and the survival of our species. It also explores the potential for using the Life Enabling model as a guide to forming a nation state.

The Origins of the Life Enabling Model

All sciences assume a rational world in which cause-and-effect relationships are ultimately discernible. Social sciences specifically assume that people's behavior results from the interaction between a person's characteristics—their motives, values, capabilities, and intents—and the contexts within which they behave. The first step in building an economic model therefore is to profile one's assumptions about the nature of people and the context within which commerce occurs.

In building the Life Enabling model, we initially developed the model's thinking about the nature of people and the contexts within which they produce and exchange resources from our observations of human commerce. We deduced the model's assumptions about people and the commercial context from the insights these observations generated as augmented by other resources detailed in *Chapter 5*. We then tested our assumptions and the model's thinking against the findings of empirical research (*Chapter 6*) to ensure that they were valid.

Our observations of human commerce led us to three insights:

1. The traditional economic view of commerce as the buying and selling of goods or services for money with the purpose of satisfying people's material needs is myopic at best.
2. People's natural inclinations toward others are heterogeneous, at least as they are expressed in adults.
3. No economic system can serve both egoists and other-regarding people simultaneously.

A Myopic View of the Nature of Commerce

Our observations revealed that the production and exchange of resources with others is the cardinal element in every individual's experience and an essential factor in every person's survival, growth, health, and ultimate satisfaction in life. Commerce, as circumscribed within the confines of the buying and selling of goods and services, is but a small segment of its occurrence. And its purpose of providing for the material needs of people is a woefully inadequate representation of the essential needs that commerce between people provides.

Indeed, it is the production and exchange of resources between people that creates human life. It is through the exchange of resources with others that we grow, develop our knowledge and skills, and become capable of achieving outcomes that we value. Throughout our living, learning, and working activities, we connect, communicate, and affiliate with others. Our interactions with others and the exchanges they involve are the central means through which we nourish our

emotional life, satisfy an essential requirement for physical well-being, and refine our understanding of ourselves as distinct from others, thereby individualizing our personalities. All these acts of commerce and the essential needs they satisfy fall outside the current economic definition of commerce.

The exchange of resources between people therefore represents a comprehensive, pervasive, and essential pattern of behavior that extends across every human life from conception to death and all arenas of human activity. To narrow this wide array of human behavior to a minuscule segment of its occurrence *and* study it in isolation from the whole of its occurrence undermines its understanding. A true science of human commerce must incorporate facts descriptive of the full range of its occurrence and the functions it satisfies.

People Are Not All Self-Serving

Our second insight is that people's natural inclinations toward others differ. One segment of humanity acts in the service of self-interest alone. This conduct is observable across all their interactions with others and well documented in *Chapter 6*. A second segment of people act in other-regarding ways. They prefer to cooperate with others and engage in mutually benefiting exchanges. If they perceive a greater need in someone else, they will sacrifice their own resources to remedy that need, even to the point of putting themselves in harm's way. This conduct is also observable across their interactions with others and well documented in *Chapter 6*. It is this latter group of humans that evolutionary theorists credit with enhancing our species' ability to survive and evolve.

Our investigation of empirical studies refined our understanding of these two categories of people (egoists and other-regarding). The behavior of egoists is nuanced. Some exploit others without reserve to maximize their personal gains (perhaps 10%–20%). They are resolute in their efforts to amass greater and greater gains at the expense of others. Other egoists are less forward leaning. While they remain egoists, they restrain the extent to which they take from others. Their pursuit of personal gain appears to conform to creating an advantaged lifestyle. Their egoistic roots become clear when they feel their advantaged lifestyle is threatened.

Similarly, the behavior of other-regarding people is nuanced. Some are unconditionally altruistic (perhaps 10%–20%). Others are reciprocators. Reciprocators are other-regarding people who end their cooperation when they experience others exploiting them. They will sacrifice for others but only for those they deem worthy of such a commitment. Unconditional altruists do not apply constraints to their expression of cooperation and caring.

No One System Can Serve Both Egoists and Other-Regarding People

Our third insight is that no economic system designed to serve egoists can also serve other-regarding people. The reason is that the end each pursues in commerce and the means they employ are totally different. One excludes concern for others, and the other includes it. As to means, egoists use manipulation, and the latter group uses empowerment. Capitalism serves the former group; no economic model serves the latter. We built the Life Enabling model to serve this unassisted portion of humanity. We included in our thinking the reality that egoists exist. We also included in our thinking the fact that the contexts within which commerce occurs are rife with strong asymmetries in information and power.

Contributions From Other Professionals

With regard to the technical elements of conducting Life Enabling commerce as detailed in Sections II, III, and IV, our main sources of inspiration and thinking have been the teachings of W. Edwards Deming (1950, 1967, 1975, 1982, 1982a, 1988, 2000, 2013) and the implementers of Lean Manufacturing, also referred to as Lean Enterprise (Jones and Womack, 2009; Shimokawa and Fujimoto, 2009; Womack and Jones, 2003; Womack, Jones, and Roos, 1991; among many others).

Deming presented his thinking about commerce in the context of discussing its management. When he spoke about how one should manage a commercial organization, he was in fact addressing how commerce should be conducted. In this way, he discussed issues such as what the purpose of commerce should be, how it should be pursued, and how an enterprise should behave in relation to its customers, its employees, and others.

When fully appreciated, Deming's work provides the most complete thought base for conducting a commercial enterprise with the intent of maximizing the delivery of value to others in ways that benefit all stakeholders inclusively (Vitalo, 2017). It is Deming's thinking that dominates the operational elements of the Life Enabling model and provides the proper perspective for implementing a commercial enterprise. Especially relevant to our purposes, Deming specifically addressed the issue of people's psychology. He understood its significance as the necessary basis for all the guidance he provided about how one conceives, develops, and manages a commercial organization. His operational guidance for conducting commerce is absolutely consistent with his premises. It is Deming who defined the purpose of commerce in terms of enabling the success of every customer in ways that better the lives of everyone. It is he who set the requirement that commerce's purpose must also be achieved in a manner that benefits all stakeholders inclusively. It is he who blueprinted how to satisfy these requirements.

We see no problem with the content of Deming's thinking. The problem we do see is that Deming did not grasp that his understanding of people was inconsistent with the understanding that underpinned the economic model implemented by the very commercial enterprises he hoped his system would improve. Nor did he recognize that the purpose of commerce he defined (benefiting others) and the requirements for conducting that type of commerce were incompatible with Capitalism. Capitalism was seemingly invisible to him. Given its invisibility, he did not address issues that the recognition of its presence provokes. These are issues of ownership, control of decision making, and the sharing of the material surplus that commerce generates, among others. Thus, while his content is whole and valid with respect to its purpose, it is incomplete in its failure to acknowledge that no truly Capitalist enterprise could apply it. We have attempted to close this gap in his perspective.³

Lean Manufacturing is a business improvement methodology. James Womack and his colleagues derived the approach from the findings of their study of the Toyota Motor Company and other Japanese companies. They compared the more successful approaches that these companies employed to the approaches used by a wide array of automotive manufacturing companies around the world. The study was implemented in 1985 by the International Motor Vehicle Program located in the Center for Technology, Policy, and Industrial Development at the Massachusetts Institute of Technology. Its goal was to enable automobile manufacturers worldwide to advance the prosperity of their host countries and improve the work life of industry employees by transferring knowledge of the more competitive approaches implemented by Japanese companies such as Toyota. The study lasted five years, had 36 sponsoring governmental and industry organizations, produced 116 scholarly publications, and culminated in the publication of *The Machine That Changed the World* (Womack, Jones, and Roos, 1991). It introduced the term "lean production" to characterize Toyota's manufacturing strategy (i.e., the Toyota Production System or TPS) and contrasted it with "mass production," which was the norm. Absent from that work was the recognition of Deming's contribution to Toyota's success (Nemoto, 2009). Our research indicates that Deming's teaching was, in fact, the foundation of the Toyota Motor Corporation's success during the period of its emergence as an exemplary global automotive manufacturing

³ Deming did understand that he was asking adopters of his thinking to radically change their personal perspectives. But he viewed their management thinking as vestiges of times past, not as conduct consistent with their goals and values and the economic model they chose to implement. He knew that they needed to undertake a personal transformation in how they understood people and managed a business. But he never grasped that their current perspectives were reflective of the commercial model they embraced. He never sensed that his call for personal transformation was in fact a call for them to embrace a new economic system.

company (circa 1960–1990). Indeed, Dr. Shoichiro Toyoda, the son of the founder of the Toyota Motor Corporation and its chairman from 1992 to 1999, acknowledged this fact. “Everyday I think about what he [Deming] meant to us,” said Dr. Toyoda; “Deming is the core of our management” (Burns, 2008). Nonetheless, Deming’s role with regard to Lean Enterprise is largely unrecognized, and its incorporation of his teaching is quite limited.

Over the decade and a half following the introduction of Lean Manufacturing, the Lean production model was refined and elaborated into “Lean thinking.” Its guidance was applied to a wide variety of commercial enterprises, including both manufacturing and nonmanufacturing businesses. During this period, its authors expanded Lean thinking’s guidance by incorporating their understanding of additional elements of Toyota’s strategic perspective and operating methods.⁴ Despite the model’s expansion of perspective, in practice, the main focus of Lean Enterprise has always been on business operations. It is in Section III of this book (*The Operations Component of the Life Enabling Model*) that you will see its major contributions.

The Lean Enterprise thrust has introduced a wide array of enabling tools and methods that support achieving Deming’s purpose *when they are used for achieving that end*. With this caveat, Lean thinking has significantly increased the value received by customers, reduced operating costs, and provided employees the opportunity to experience pride in the products they produce and the services they deliver. It has also yielded new learning, improved employee engagement, elevated teamwork, and raised businesses’ performance on traditional measures of commercial success.

Lean Enterprise’s problems, from our perspective, are twofold. First, there are significant inconsistencies among Lean community members concerning the ultimate aim the Lean approach serves (Vitalo and Bujak, 2022). Second, major gaps exist in Lean’s foundational thinking. As to confusion about the aim of Lean Enterprise, that judgment is based on an analysis of the Lean literature and confirmed by a survey of Lean community members conducted by Womack (2010). He found, to his “surprise,” that “[m]any of you [Lean community members] identified confusion about the meaning of lean as a barrier to progress in your organization.” Based on Vitalo and Bujak’s (2022) analysis, about a third of Lean practitioners assert that Lean is all about “efficiency and cost reduction,” with the intent of maximizing profitability for the company. Another third defines Lean from a continuous improvement perspective. They see Lean as focusing on the

⁴ In essence, when new issues arose related to questions about how to conduct Lean Enterprise, Lean authors used Toyota’s practices, as known to them, as their “Rosetta stone.” See Vitalo and Bujak (2021) for a discussion of the problems associated with this approach.

application of tools (e.g., 6S, Kaizen, TPM) to eliminate all non-productive work (waste) and elevate the utility of workplaces. In this view, its driving force is a striving for perfection. A final third of Lean practitioners see it as a cooperative commercial strategy integrating the contributions of all participants in commerce in an effort to maximize the delivery of value to customers, as judged from the customers' perspective. Vitalo and Bujak (2022) asked,

Which of these notions or what higher order notion represents the controlling aim of the Lean approach to commerce? Minimization of cost? Maximization of profit? Delivering value to customers? Benefiting all stakeholders inclusively? Which of these ends should constrain the pursuit of the others when trade-offs are required? (Vitalo and Bujak, 2022)

They went on to point out that “[a] set of ideas cohere into a system only when they are organized around a central aim.” In essence, if the aim is uncertain, the system can only be unstable.

As regards the second issue, Vitalo and Bujak (2022) described gaps in Lean's foundational knowledge. Foundational knowledge refers to “a set of principles expressed, defined, and applied consistently” that guides the implementation of a particular system. One of the gaps they explored relates to decisions such as how the benefits generated from waste removal should be shared or whether owners should simply retain them exclusively as added profit. Another gap relates to the absence of principles that allow one to understand to what ends Lean tools should be used. Should Lean tools, for example, be used to downsize a business? Womack (2016) clearly said no, but Ohno (1988, p. 53) seemed to say otherwise: “[W]e consider a manpower reduction policy as a means of cost reduction, the most critical condition for a business's success.”

An even larger gap concerns Lean's understanding of the nature of people. Lean management literature speaks about how one should treat people and expects that such treatment will yield involvement and striving for perfection. But nowhere does it provide a detailed description of its view of human nature or a definitive statement of the “why” behind its dictates. Its explanations for some of the sacrosanct behaviors it prescribes—such as “Respect for People”—are inconsistent (Vitalo and Bujak, 2019). Some explanations seem predicated on expediency (e.g., it elicits better engagement by people in their work), while others suggest a moral basis for this behavior (e.g., “it's the right thing to do”).

What the Life Enabling model has incorporated from Lean Enterprise are its tools. What it has added is a singular statement of what the purpose of commerce is and the foundational knowledge that guides the consistent pursuit of that purpose.

Capitalism is practiced worldwide. The United States espouses Capitalism with fervor. It touts Capitalism as the *only* effective economic system. The country's founding fathers, with few exceptions, were profit-seeking capitalists. They owned land and possessed wealth. They used their land to produce agricultural products and their wealth to speculate in real estate, trade in cotton and slaves, and provide financial services to their new nation for profit. So, given Capitalism's history and significance, one is compelled to ask whether there are reasons why people need a new economic model other than its limited focus on commerce as implemented by a subset of humankind. As you will read in this chapter, there are.

Chapter 2

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Shedding Misconceptions About Capitalism

We begin by clarifying what Capitalism is and is not. Capitalism is a theory, a system of ideas that attempts to describe and explain why and how people produce and exchange resources within a society and the cumulative effects these exchanges generate with regard to material wealth. It is used to guide the conduct of individuals and commercial organizations and to formulate governmental actions. Its intellectual pillars are individualism and materialism.¹

Capitalism has a long history. As a theory of commerce, it was first formalized in the 18th century, but the history of its pronounced emergence in Europe began in the 11th century (Pirenne, 1960). As with all economic systems, its ideas are deduced from a set of assumptions about the nature of humankind (Goodwin, 1991). Its contents are not induced from empirical research. Its theorems do not have the scientific foundations of a natural science such as physics or biology (Vickrey, 1964).

Every commercial model, including Capitalism, asserts that compliance with its dictates is the best way to ensure that the material resources people require to survive and thrive are available to them. In the United States, the public, including the authors, are further conditioned to associate Capitalism with patriotism, democracy, personal freedom, opportunity, and free markets, and perhaps even have it entangled in our religious beliefs. We are conditioned to imagine its alternatives as those “evil” other systems—like Communism or Socialism. But, in fact, Capitalism simply describes one of a number of possible approaches to commerce, including others that share its requirements for private property and freedom of choice.

None of the emotional content we associate with Capitalism resides within the fabric of its theoretical system. It is not, for example, committed to American values or the nation itself. This should be clear given the reality of multinational companies and the global economy. Indeed, the commitment of a Capitalist enterprise to any nation is solely dependent on how well that nation (or locale) enables it to maximize its profits.²

¹ The definition of individualism has many variations (Individualism, 2017). Our use of the term refers to an understanding of humankind that places the interests of the individual above the interests of the social group. This meaning reflects the primary dictionary definition (Individualism, 2017a). The term “materialism,” as used here, refers to a dominant desire in humans for wealth and material possessions.

² That Capitalist enterprises associate preferentially with nations based on how well they enable their maximization of profit is reflected in the fact that nations competing to attract such enterprises universally do so by offering lower taxes and other monetary incentives (Devereux, Lockwood, and Re-doano, 2004; Wenner and Zollman, 2017).

Neither is Capitalism committed to freedom per se, except with regard to the rights of commercial property owners to control, as they see fit, the use of their property and the wealth it creates. For example, Capitalism operated effectively in the United States using the regimen of slavery, and indeed trading in slaves was a profitable and acceptable Capitalist enterprise (Beckert, 2014).

Capitalism is also not committed to democracy, as companies implementing this model operate in accordance with oppressive and dictatorial regimes as well as with governments that are more or less democratic.³ Capitalist enterprises are not even committed to free markets—at least not in their real-world practices, as they use competitive methods that include restricting free market competition (Washington, 2016).⁴ And Capitalism certainly is not aligned with Christianity as a religion, as it envisions the maximization of personal profit without regard for others as the sole motive for commerce between people. Its premise is that people always act egoistically and that Capitalist enterprises have no social responsibility. Their only responsibility is to maximize profits for their owners (Friedman, 1970). Such behavior is a far cry from the Christian construct of *agape*.⁵

Caution: The above statements are *not* an indictment of Capitalism. They are made to clarify that all the emotional overlays stirred by the term are a function of

³ As just one example, Google, LLC (previously Google, Inc.), is developing a tailored version of its search engine for China that will deny its users access to information that the government does not want them to see. As Gallagher (2018) reports, the tailored search engine “will blacklist websites and search terms about human rights, democracy, religion, and peaceful protest.”

⁴ Adam Smith (1776) warned the public that it is always the interest of capitalists (“dealers”) to narrow the competition (pp. 213–14). A recent practical example of restricting competition (free market operations) is provided by AT&T. It owns DirecTV, a satellite-based television delivery service, and DirecTV Now, an internet delivery system. AT&T recently merged with Time Warner Corporation. Among the Time Warner properties it acquired is HBO, a media channel that has “long been the crown jewel of American television” (Wu, 2018). Despite AT&T promising in a Federal Court hearing prior to the merger that it would “never use Time Warner’s media properties as leverage against its rivals” (Wu, 2018), it ceased allowing its major competitors permission to carry the HBO channel. At the time of this writing, Dish TV (satellite) and Sling (internet) (both owned by Dish Network) have been disallowed from broadcasting the channel. They claim that AT&T pulled their right to transmit the HBO channel as a way to force Dish Network “to pay for a guaranteed number of subscribers, regardless of how many of its customers actually do subscribe to HBO” (Blumenthal, 2018). This would mean that Dish Network would need to reimburse AT&T for customers *who did not want to receive the HBO service*. As an interesting side note, Microsoft Incorporated used a similar tactic in the 1980s to squash competition to its MS DOS operating system. It required all computer manufacturers to pay for an MS DOS license *for every machine they made* whether or not it had MS DOS installed. Otherwise, the vendor could not install MS DOS *on any of its machines* (U.S. Department of Justice, 1994).

⁵ The authors are aware of Adam Smith’s book, *The Theory of Moral Sentiments*, and his discussion of humankind’s other-regarding faculty for sympathy, which, in today’s terms, might better be labeled empathy. This second of the “*Two faces of Adam Smith*” (Smith, V.L., 1998), however, has no play in his economic model. Capitalism’s posited positive dynamic results from the cumulative effects of mutually agreed transactions arrived at freely by equally knowledgeable and powerful parties *who each operate solely with regard to their selfish ends* (Rabin, 1998; Goodwin, Harris, Nelson, Roach, et al., 2017; Hirschman, 1977; Hosseini, 2010; Jensen and Mackling, 1994; Yamagishi, Li, Takagishi, Matsu-moto, et al., 2014; Smith, A., 1776).

our indoctrination. Capitalism, as a commercial model, is simply a set of ideas that are deduced from its assumptions about the nature of people and the context within which they exchange resources (Vickrey, 1964). These ideas purport to explain the dynamics of exchange transactions between people and advise how a society can provide for the generation and distribution of the goods and services it needs to sustain itself and maximize its material wealth.

Whether the purpose Capitalism or any other commercial model defines for commerce or its implementing ideas are good, bad, or indifferent is a judgment that must be made from two perspectives. One is scientific; the other relates to the survival of humankind. From a scientific perspective, a deductive theory like Capitalism must be internally consistent, and, *to have practical utility*, it must be derived from empirically valid premises. Internal consistency means that a theory's contents (theorems, principles) logically flow from its assumptions. If they do not, then the theory makes no sense and, from a scientific perspective, deserves no further consideration. As to valid premises, the foundational beliefs upon which a deductive theory rests must be realistic; they must correspond to the empirical findings of science. If they do not, the theory has no practical use. This means that its contents are useless for explaining or guiding real-world economic activity.⁶ For example, recall that all economic theories make assumptions about the nature of people, since these theories, by definition, describe and explain human conduct and its consequences. If such a theory assumes that all people act egoistically in the service of their personal self-interests without regard for others and empirical research uncovers that only a minority of people act on that basis, then the contents of the theory that *require* this *universal* premise be true are *necessarily invalid*. All the principles and theorems deduced from that assumption and dependent on its validity have no legitimacy and no explanatory power.

The survival of humankind provides a second and larger perspective for judging an economic theory. If a system of conduct directs people to behave in ways that endanger the survival of the species, then its use is contrary to the interests of humankind at both the individual and the societal level. Thus, if the evolutionary success of a species were benefited by other-regarding cooperativeness and a system of behavior promoted self-regarding, egoistic conduct, then embracing that system would undermine humankind's survival.

The Basic Tenets of Capitalism

The basic unit of commerce in any society is the exchange of resources between two parties (microeconomic level). In Capitalism's view, each party seeks a resource the other possesses. Each is intent on maximizing the value measured monetarily that he or she realizes from every exchange with another. It follows

⁶ We address Milton Friedman's (1953) objection to this contention in *Chapter 4*, pages 92–93.

logically, therefore, that each party's ideal outcome is to get *all* the value *without giving anything*. Given other assumptions of Capitalism, however, this cannot happen. The reason is that Capitalism also assumes that commerce takes place between people with equal power; hence, "taking" is not available. Also, each party is equally able to make fully informed rational judgments about what he or she needs and what others are offering. Consequently, neither party can exploit the other. Given this assumed world of zero asymmetries in knowledge, information, decision-making ability, and power, the parties *must* negotiate. Through these negotiations, they arrive at an exchange of resources that is satisfactory to each. Hence, every marketplace transaction ends "fairly" and "justly" by definition.

At the market level,⁷ the dynamic of supply, demand, price, and profit reduction operates. Supply is presumed to evoke demand (Say's Law of Markets, 2018). As more producers enter a market seeking profit by providing the commodity buyers require, they compete for that demand. Since the model also assumes that all producers provide *equivalent* offerings, sellers compete on price alone, thereby driving the price down toward actual cost, as each producer seeks to win more sales. Given that buyers choose freely and effectively, they buy the offering with the lowest price. This is so because the functional utility of each alternative offering is equivalent. As price falls, more and more people have their needs satisfied until all demand is met.⁸ Also, as profit margins shrink, producers—acting freely and effectively in the pursuit of maximizing their profits—look elsewhere to invest their productive capabilities in order to realize greater material gains. This search results in the opening of new markets that meet previously unserved buyer needs, and the cycle that begins with high profits and ends with price approaching cost repeats itself.

At the societal level (macroeconomic level), this entire supply–demand–price–profit reduction–new market creation dynamic is presumed to ensure that the productive resources of a social unit are always applied where they will generate the greatest gains measured monetarily. Capitalists invest in markets with unmet needs. As profits lessen, they uncover new unmet needs that they apply their resources to fill so that they gain more profit. This means that the productive capacity of a society is always used efficiently. It is always used where it will produce increasing wealth and meet unmet human needs. Thus, Capitalism assures that the exact products society needs to survive will be available to it in the quantities it requires.

⁷ We define a market as a physical or virtual setting that allows buyers and sellers of a specific good or service to interact in order to facilitate an exchange.

⁸ Capitalism implicitly assumes that people who need a commodity will have the resources required to purchase that commodity. If this assumption were to fail, then society's need for an offering would not be met and the economic model would fall short of its central purpose.

This efficiency in the use of resources and the assured satisfaction of society's needs evolve spontaneously from the choices made by fully informed people who act freely and rationally to maximize their material wealth in marketplaces where no one has an advantage over anyone else. People always choose just what they need and make the correct choices as to value received for value exchanged. Markets self-correct so that the balance between supply and demand equalizes. When demand slackens, producers cut back production. When demand increases, they increase production. New markets emerge as producers seek higher profit-making opportunities by meeting unaddressed needs.

One of Capitalism's major attractions as a theory is its simplicity and automaticity. It is presumed to be rooted in human nature and the found conditions within which people exist. It requires no planning or intervention. Its effects naturally flow from the native inclinations it posits all people to possess and the characteristics it assumes all markets possess. Indeed, intervention in its operations is deemed destructive because such action would disrupt the naturally effective choices and native behaviors of people and the qualities it presumes that markets have. The unfettered exercise of these qualities is necessary for the dynamics of Capitalism to work. In essence, intervention undermines economic success.

What's Wrong With Capitalism?

As far as we can discern, the theory of Capitalism is logically sound in the sense that its conclusions flow from its premises and the constraints it defines with regard to economic factors (e.g., the independence of economic actors and markets). Indeed, computer simulations of economic activity using the model's specifications do produce behaviors that more or less conform to the model's predictions.

Rather, the criticisms made by economists, psychologists, environmentalists, and other professionals address what these authors deem as the model's structural problems and the consequential problems produced by its use. Oddly, we have not uncovered anyone who has identified the most fundamental failing of the theory—the actual root cause of its structural and consequential problems. That failing is the *invalidity of its premises*. As a deductive theory, that invalidity renders the model's knowledge useless from a practical perspective. We will discuss this issue separately at the end of this chapter.

In this section, we highlight Capitalism's structural and consequential problems. Since our purpose is solely to demonstrate a reasonable basis for society needing an alternative economic model, we will only present a small sample of the issues critics have raised.

END OF EXCERPT

Our economic system is destroying our society and our species...

We live in a society that accepts an economic system in which lies used to promote sales are legitimized by its courts as just expressions of “mere puffery,” statements that capitalist enterprises use to generate buying and are not commitments for which they are accountable. Its products are designed to sell profitably, not benefit their recipients. Its packaging is designed to hide increases in price, not inform buyers. Its producers pollute and destroy our ecosystem while declaring it is not their responsibility, and we accept it. Profits generated by the sale of offerings that are harmful to humankind are counted in our measures of economic growth and improved social well-being. Its customers right to redress for harm done to them is legally restricted so as not to “discourage” future commerce. And where those who most benefit from the profits it generates use their profits to coop our governance so that they may continue their plunder undeterred.

In response to all this and more, we are told there is no better alternative economic system. Moreover, we are told that we can always choose not to participate. Thus, we have nothing to complain about because every transaction we undertake is, by our acceptance, fair and freely made.

None of this is necessary or valid. All of this is predicated on the false assumptions of a sham economic system that exploits the many to serve the few. And with its acceptance, we permit it to create a human context that denies us the necessities of life that science has made clear are essential to our individual survival and humankind's continuance as a species. This book reveals why and how this is happening and why it is not necessary. It also offers a valid alternative approach to commerce that elevates human sociality, fosters personal emergence, and nourishes the ecosystem that supports all life.